Austria	Sch. 28	Indonesia	Rp 2500	Portugal	Esc 90
Bahrain	Din 0.650	Italy	L 1500	S. Arabia	Rls 6.00
Belgium	BFr 45	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 125
Cyprus	C£0.70	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 8.00	Lebanon	£L 8.00	Sweden	Skr 7.00
Egypt	£E1.00	Luxembourg	LFr 45	Switzerland	SFr 2.70
Finland	Fmk 6.50	Malaysia	Rm 4.25	Taiwan	NT $25
France	FFr. 6.00	Mexico	Pes 300	Tunisia	Din 0.500
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 250
Greece	Dr 80	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Kr. 7.00	U.S.A.	$1.00
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,909 | Monday April 21 1986 | D 8523 B

Dassault-Breguet may no longer fly alone, Page 18

World news | Business summary

Britons evacuated from W.Beirut

About 35 Britons were evacuated from Moslem west Beirut, where some of them had lived for years, following the killing of two British teachers there and the abduction of a television cameraman.

Their convoy of buses and cars was escorted by Moslem militia with anti-aircraft guns, police and soldiers. They were taken across the "Green Line" to Christian east Beirut.

Norway has evacuated its embassy from west Beirut. Page 2

Gulf tanker attacked

One seaman was killed and three others injured when a fully-laden Turkish tanker was set on fire in a rocket attack by unidentified aircraft in the Gulf.

Afghan talks

A timetable for a possible withdrawal of Soviet troops from Afghanistan is to be discussed in Geneva next month. About 170 Afghan rebels have been reported killed in Kandahar. Page 4

S. Africa deaths

Eight people were killed in a weekend of violence in South Africa. In Transkei, the family of Tembu clan leader Sabata Dalindjebo, a nephew of Nelson Mandela, claimed his body had been buried without permission.

Pakistan bomb

A bomb badly damaged a travel agency in Peshawar, Pakistan, injuring one man. Police said a man had been arrested. Witnesses said the suspect appeared to be an Afghan.

Titan halted

The US air force has cancelled all launches of Titan rockets after Friday's explosion of a Titan 34D carrying a military cargo. Page 4

Power strike plan

Finland's power workers' union plans a strike that would halt the country's four nuclear reactors tomorrow. Page 3

Anti-rebel offensive

Attempts by the Philippine Government to negotiate a reconciliation with communist rebels have collapsed. The armed forces launched an offensive against rebel strongholds in the north of the country.

Spanish protest

Thousands of farmers marched through central Madrid to protest against a draft bill that would dissolve Spain's rightist-controlled agrarian chambers.

Ulster arrests

Police held for questioning 17 people arrested in the third successive night of rioting by Protestants in Northern Ireland. Page 11

50 feared dead

At least 50 people were feared dead and 18,000 families made homeless after an irrigation dam burst in eastern Sri Lanka.

Teachers to return

Nearly 150,000 teachers at 10,000 non-government schools in Bangladesh are to end a two-month strike on Wednesday after the authorities agreed to raise salaries and benefits.

Export Awards

Recognition for export achievement has been given to 114 British companies in the annual Queen's Awards, compared with 90 companies last year. *Details, Pages 14, 15.*

Queen's birthday

Queen Elizabeth II celebrates her 60th birthday in London today.

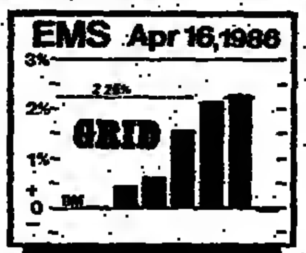
Marathon winner

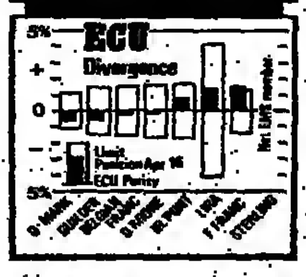
Toshihiko Seko of Japan, aged 29, won the London marathon in 2 h 10 min 2s, nearly two minutes ahead of 1982 winner Hugh Jones. Women's winner for the second time was Norway's Grete Waitz in 2-24-54.

Helicopter costs hit aircraft maker

McDONNELL DOUGLAS, the largest US military contractor, saw first-quarter earnings drop by a third to $81.1m because of unexpected modification costs to its Apache helicopter and soaring losses in its information systems division. Page 21

FUNDS moving out of the weakening dollar and into the D-Mark gave a boost to the German currency on Friday. The D-Mark was fixed above its EMS floor of FFr 3.1837 in Paris, and the French franc below its ceiling of DM 31.40 per 100 francs in Frankfurt, for only the second time since the EMS realignment on April 6. A cut in French bank base rates also supported the D-Mark, which at times required further central bank support, but on a smaller scale than the previous week. Further cuts in Belgian Treasury certificate rates led to expectations of a third cut in the Belgian National Bank's discount rate since the EMS realignment.





The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

LONDON: Following the takeovers of Imperial Group and Distillers, the two shares have been removed from the constituents of the FT Ordinary Share Index. From this morning, they are being replaced by Guinness, the successful bidder for Distillers, and Royal Insurance. Royal joins National Westminster as the second financial share in the index constituents.

TOKYO share prices closed higher after Saturday's half-day session with buying demand shifting to popular international issues. The market average rose 68.01 to 15,826.62. Leading prices, Page 33

OPEC members, excluding Algeria, Libya and Iran, have come down in favour of an increase in the ceiling on total crude oil output to 16.3m, still below current estimated production of 17.5m b/d. Page 20

CUBA has postponed talks on rescheduling much of its $3.5bn debt with the Paris Club of creditor nations, underlining its troubles with the sugar harvest and collapse in oil prices. Page 5

MAISON PHENIX, large French housebuilding group, has disposed of its 11.2 per cent holding in US Home, a leading American construction company which has been in loss for two years. Page 21

DEUTSCHE BANK plans to launch the three core subsidiaries of the former Flick industrial group on the West German stockmarket in a single flotation which could raise close to DM 2bn ($888m). Page 25

BROKEN HILL Proprietary, Australian resources group in which rivals Elders IXL and Bell Resources each have stakes of about 19 per cent, is stepping up its aggregate dividend payments by 64 per cent to A$430m (US$308m) for the year to May 31. Page 25

EEC clampdown on terror 'might halt US action'

BY QUENTIN PEEL IN BRUSSELS AND PETER RIDDELL IN LONDON

MORE EFFECTIVE collective action by European governments against Libyan-supported terrorism might influence and reduce the possibility of further US military action, Sir Geoffrey Howe, the British Foreign Secretary, indicated yesterday on the eve of a further meeting of EEC foreign ministers.

The foreign ministers, in their third session in eight days, will meet in Luxembourg today to consider a report on measures to tighten security and increase co-operation in the fight against international terrorism. These include the possibility of closing Libyan diplomatic missions, its people's bureaus.

The proposals, drawn up by senior national officials, set out a range of options for sanctions against countries implicated in terrorism. They also suggest ways of classifying those countries in four different categories according to their degree of involvement.

There is strong pressure from several member states, including the UK, the Netherlands and West Germany, for further European action against Libya on top of the diplomatic moves agreed last week.

These include restricting the movement of Libyan diplomats and cuts in their numbers.

On a London Weekend Television programme, Sir Geoffrey made the most explicit linkage so far between tougher action by the EEC and a possible influence on the attitudes of the Reagan Administration towards further military action.

British Conservative MPs reported uncertainty and criticism among party supporters about the use of UK bases by the US for last week's bombing raid on Libya. Three opinion polls suggested that two-thirds of British public opinion opposed both the bombing and the Government's attitude to it. Page 26.

The fact that the US had felt obliged to act as it did last week, he said, "is an additional factor which our European colleagues ought to take into account in deciding how resolute their determination will be to organise collection action."

Sir Geoffrey went on to argue that if the European countries made a collective and effective response "that not only has a warning and deterrent effect on Libya in its direction of state terrorism, it has an effect on the perception of the US of the willingness of the democracies in the world to take effective action against terrorism."

The need for, and possible occasion, for any future request by the US to use bases in Britain for an attack on Libya "should be influenced by what we and the rest of the Europeans do in relation to Gadaffi from now on."

Continued on Page 20

Moscow keeps options open, Page 2; Wasps' nest, Page 19

BIS issues warning on impact of innovation

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

DEEP reservations about the impact of innovation on financial markets are expressed in a wide-ranging study published today by the Bank for International Settlements in Basle.

There can be no doubt that new techniques developed over the past few years have improved the efficiency of the marketplace it says, but there is no guarantee that this will necessarily improve economic welfare overall.

The 270-page document was prepared by a study group of central bankers chaired by Mr Sam Cross of the Federal Reserve Bank of New York. It is the widest ranging analysis yet at official level of the impact of new financial instruments on monetary policy, as well as on the stability of the financial system itself.

The study examines four major innovative instruments – Euronote issuance facilities, currency and interest rate swaps, options and forward rate agreements – and argues that monetary policy itself is being inhibited as a result of the trend towards innovation.

Many of the new instruments are "underpriced," the report says. Revenue from them is not enough for banks to build up capital to protect themselves against the risks that they contain.

Increased use of the bond markets by the highest quality international borrowers has left commercial banks facing a decline in the quality of their remaining loan assets. The base of their business has narrowed and this means that the banking system could become less able to respond to sudden liquidity shocks in other sectors.

The report says the growth of the innovative business has been most rapid in a relatively few large organisations, producing an unhealthy concentration of credit risk.

The BIS says the views expressed in the study do not necessarily form part of its official policy or that of the central banks whose staff participated, but it is publishing the study to foster public discussion of the issues it contains.

Financial innovation also leaves less scope for the use of quantitative credit restraint as a tool of monetary policy, forcing interest rate and exchange rate changes to bear the brunt. Even so, the plethora of new instruments can make the effect of policy changes hard to predict.

With variable rate financing widely available to many borrowers, a temporary increase in interest rates may not lead them to curb their spending plans. "In today's circumstances such increases can have more important cash-flow implications than before and may give rise to potential solvency problems over a broader component of the domestic and perhaps the international economy."

The study says that the process of innovation in financial markets now appears to be becoming institutionalised, since many concerns have established special departments to research and develop new and ever more sophisticated products.

But the system as a whole remains vulnerable both to failure of the technology that supports it and to settlement systems being unable to cope with an ever-increasing volume of trading.

No conclusions can as yet, be drawn on the degree to which innovation has tended to increase the actual amount of credit available in the world financing system, but there is a pressing need for more information, the study says.

Among other things it adds, the statistics on international financial flows collected by the BIS should be expanded to give more information on the volume of securities held by banks as well as on the volume of their standby credit commitments.

The report says more detailed information on the bond markets should be compiled from outside the banking sector, using data from trade associations and similar sources.

Lex, Page 20; Pandora's box, Page 5; New frontiers, Page 13

Olympia & York set to acquire Hiram Walker as bid rival quits

BY BERNARD SIMON IN TORONTO AND ALICE RAWSTHORN IN LONDON

OLYMPIA & YORK, the Canadian property and resources group, appears set to gain control of Hiram Walker Resources following the withdrawal of TransCanada PipeLines, its chief rival in the month-long battle for the multinational energy and drinks company.

The prospect of O&Y acquiring Hiram raises questions about the proposed C$2.6bn (US$1.87bn) sale of Hiram's liquor business to Allied-Lyons, the British food and beverage group. The sale was hastily arranged last month as part of the defence efforts mounted by Hiram management against O&Y's unwelcome bid.

Separately, Mr John Elliott, chairman of Elders IXL, confirmed that his aim to take over Allied-Lyons was unaffected by the Canadian deal. "Size is no longer an obstacle," he said.

TransCanada, which earlier played the role of "white knight" in mounting a counter-bid for Hiram, said at the weekend that it had "decided not to proceed further" in the contest.

Unless another bidder comes forward in the next two days, O&Y is thus expected to gain control of Hiram through Gulf Canada, O&Y's 80 per cent-owned subsidiary, when the two companies' latest C$3.3bn cash offer is made on the Toronto and Montreal stock exchanges on Wednesday.

O&Y, which is controlled by the Reichmann family of Toronto, already holds an 11 per cent voting interest in Hiram and is supported by Hiram's largest existing shareholder, Interprovincial Pipeline, with a 15 per cent interest.

Mr Ivan Boesky, the New York arbitrageur, on Friday reported a 7.4 per cent holding in Hiram.

The Reichmanns had indicated that the spirits business, which includes brands such as Canadian Club and Ballant ine's Scotch, is a key reason for their interest in Hiram.

O&Y has said it plans to combine Hiram and Gulf Canada, creating one of Canada's biggest companies. The addition of Hiram's liquor business would enable Gulf Canada to reduce its heavy dependence on natural resources, especially oil and gas.

Allied-Lyons has maintained throughout that its agreement to acquire the drinks division is binding, whoever controls Hiram. It allowed for the possibility of an unfriendly bid and its contract to buy the division was structured accordingly.

The contract has already survived one attempt to declare it invalid. Gulf Canada and O&Y applied for an injunction from a Canadian court to rescind the agreement. After receiving assurances from two Hiram Walker directors that the agreement was struck in order to "maximise values" for their shareholders, the court declared it to be valid.

Continued on Page 20

EEC and US postpone conflict on farm trade

By Quentin Peel in Brussels

FIRST SHOTS in the looming farm trade conflict between the US and the EEC now seem certain to be postponed from the present deadline of May 1 to avoid souring the atmosphere of the Tokyo economic summit.

The concession was indicated by US negotiators after a top-level round of talks in Paris this weekend with members of the European Commission, aimed at defusing the dispute over US sales of soyabeans and cereals to Spain and Portugal.

None of the fundamental issues threatening to start a fully fledged farm trade war was resolved at the talks, but both sides showed a desire to cool the level of rhetoric.

The US still planned to take retaliatory action "in early May" for what it saw as illegal trade restrictions imposed by the EEC on soyabean and grain sales to Portugal, Mr Clayton Yeutter, the US special trade representative, said after the talks. Washington is, however, prepared to make its quotas on EEC exports "non-discriminatory" if the European actions do not materially damage US exports.

The danger of the dispute is that it could rapidly escalate into a far-reaching trade conflict between the two major trading blocks, involving on both sides heavily subsidised farm sectors.

The US problem concerns its traditional markets for soyabeans and cereals in Spain and Portugal, which became full EEC members on January 1. As part of the process of Community membership, Spain has imposed new variable levies on maize and sorghum imports. Portugal is to reserve 15.5 per cent of its cereals market for other EEC suppliers and place temporary quotas on oilseed imports.

Mr Yeutter insisted that the moves in Portugal were plainly illegal under the General Agreement on Tariffs and Trade (Gatt) and should be suspended. The Spanish move was legal but should be compensated for, he said.

The EEC, represented in the talks by Mr Frans Andriessen, the Agriculture Commissioner, and Mr Willy de Clercq, the External Trade Commissioner, says the Portuguese measures are legal and cannot be suspended because they are written into the Treaty of Accession now approved by 12 governments and 12 parliaments.

Both sides agree that the Spanish dispute should be negotiated within Gatt, but with the US demanding compensation for a specific sector and the EEC insisting the calculation must cover the whole spectrum of trade.

Mr Yeutter said any US retaliation would mirror the action taken by the Community. If the quotas in Portugal were set high enough not

Continued on Page 20

Japan cuts discount rate by ½ point

BY JUREK MARTIN IN TOKYO AND GEORGE GRAHAM IN LONDON

THE BANK OF JAPAN has cut its discount rate by half a percentage point to 3½ per cent with effect from today after the similar cut announced by the US Federal Reserve Board on Friday.

The cut is the third made by the Japanese central bank so far this year. It takes its key leading rate down to match its lowest levels since the war, last touched in 1978-79. It will, however, take some time before Japanese commercial lending rates fall in response to the discount rate cut.

Mr Noboru Takeshita, the Japanese Finance Minister, claimed the cut was part of a co-ordinated reduction of interest rates he had agreed with his US counterpart, Mr James Baker, the Treasury Secretary, at their meeting in Washington two weeks ago.

Mr Takeshita, who has ambitions to replace Mr Yasuhiro Nakasone as Prime Minister, is making a habit of claiming credit for economic and monetary policy changes.

With the world economic summit in Tokyo less than two weeks away, it has become apparent that the Japanese Government will do all it can to convince visiting leaders that it is doing its best to promote domestic demand and thus reduce its vast trade surplus.

It is unlikely, however, to satisfy its counterparts. Mr Nigel Lawson, the UK Chancellor of the Exchequer, has already angered Japan with his remarks in Washington that the yen needed to appreciate further. He is expected to continue to press this point in Tokyo and is believed to have support from the US and from other European nations.

Mr Satoshi Sumita, governor of the Bank of Japan, said the latest discount rate cut was intended to help to stabilise the value of the yen. Although neither he nor Mr Takeshita talk in public about an appropriate rate for the yen, it is believed that both would prefer it to remain in the Y175-Y180 range against the dollar for some time.

Japanese industry, it is felt, needs a breathing space to adjust to the sharp 38 per cent surge in the value of the yen against the dollar since the meeting of finance ministers of the Group of Five industrial nations in New York last September, which agreed to act to bring the dollar down. In fact, the dollar has already weakened further to below Y174.

Unlike the previous apparently concerted interest rate cuts in early March, this round was not led by West Germany. The Bundesbank has been reluctant to cut its discount rate further from the current level of 3½ per cent, and German money market rates have so far scarcely moved down in line with the last cut.

With growth forecasts already being revised upwards as a result of tax cuts and lower oil prices, the West German Government is unwilling to risk any further interest rate stimulus to the economy. Although inflation fears may seem to outsiders absurd in a nation whose consumer price index is now rising at an annual rate of only 0.7 per cent, the Bundesbank is still concerned about what it views as excessive monetary growth.

In addition, the D-Mark has been trading at the bottom of its permitted range since the realignment of the EMS exchange rate mechanism a fortnight ago. A cut in the German discount rate would put the current EMS exchange rates under great strain unless it were matched by France.

Yet, if West Germany does not cut its interest rates further, it risks a sharp fall of the dollar against the D-Mark – which has so far not appreciated as much as the yen against the US currency. While a further drop in the dollar's value might be welcome, neither Bonn nor Washington wants a free fall.

In the UK, Government officials have consistently played down the extent to which the move to lower interest rates has been concerted among the leading industrial nations. The better co-ordination of policy apparent this year owes less to goodwill than it does to the fact that collapsing oil prices have affected most OECD countries in the same way by sharply lowering inflation prospects, they say.

Lower interest rates in other countries, however, have eased the way for base rate cuts in the UK without threatening the sterling exchange rate. Although the gap in yields between UK and international bond markets has rapidly diminished, real short-term interest rates in the UK retain a cushion of at least 2 percentage points above West Germany's.

The announcement by the Nationwide building society late on Friday night that it planned to cut its mortgage rate for new borrowers by a full percentage point, rather than by three quarters of a point as some analysts had expected, further improves the prospects for UK inflation in the coming months.

● Mr Nigel Lawson, UK Chancellor of the Exchequer, has denied categorically that he blocked the entry of Spain into the Group of Ten, a gathering of the leading industrial nations. He said there was no truth in press reports that he walked out of a meeting in Washington two weeks ago at which Spain's application was to be discussed, thus depriving it of a quorum.

G-10, which tends to take the lead in decisions of the International Monetary Fund, already comprises 11 countries. In addition to the US, Japan and Canada, it includes the six major EEC nations, Sweden and Switzerland.

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Moscow keeps options open on military aid to Gadaffi

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union in waiting to see if the US stages further air raids on Tripoli and Benghazi before committing itself to heavy military aid to Colonel Muammer Gadaffi, the Libyan leader, or deciding to abandon the summit with the US planned for this year.

Since US bombers struck last Tuesday morning, Moscow has given maximum verbal support to Libya, but its actions in the following six days have been open to various interpretations. The ambiguity is not accidental.

- On Tuesday night Moscow issued a statement saying that in present circumstances there could be no meeting in May between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, the US Secretary of State. Is the meeting cancelled or only postponed? Diplomats in Moscow get no definite answer from Soviet officials.
- On Wednesday the Soviet Union released the text of a letter from Mr Mikhail Gorbachev, the Soviet leader, to Colonel Gadaffi. It promised that the Soviet Union would "fulfil its commitments in terms of further strengthening Libya's defence capability." The Soviet Union has no treaty with Libya as it has with other Arab allies so the nature of thia commitment is not known.
- On Thursday Mr Vladimir Lomeiko, the Soviet Foreign Ministry spokesman, said that the heads of diplomatic missions in Moscow had been told the previous day that "the Soviet Union had full rights to use the Mediterranean for movement. It has made use of this right and will continue to do so." This could be interpreted as a simple assertion of freedom of navigation, or as a warning to the US not to interfere with Soviet supply operations to Libya.

The lack of clarity allowa the Soviet Union to avoid an open ended commitment to the defence of Libya as long as possible. Although the warmth of references to Colonel Gadaffi haa increased in recent days Moscow does not want to undertake military obligations to a leader over whom it has little political influence. Mr Gorbachev's speech to the East German Communist Party in Berlin on Friday did nothing further to illuminate the Soviet response to another American attack.

There ia in any case a limit to the amount Moscow can do. It has no convincing military option since even very heavy reinforcement of Libyan anti-aircraft defences will not dent American military preponderance in the Mediterranean off the Libyan coast.

The Soviet response to another American-Libyan clash ia therefore likely to be political, probably a postponement of this year's summit. Yet over the last week Moscow has shown every sign of wanting to avoid this outcome. Some senior Soviet officials argue that this would play into the hands of the extreme right within the US Administration who want the summit cancelled and hava staged the Libya crisis for that reason.

Tha difficulty for Moacow is that a limp response to last week's air raid may be interpreted in Washington and the Middle East as a sign of weakness, an indication that the Soviet Union is more interested in cementing relations with the other superpower than it is in defending its allies in the Third World.

Soviet foreign policy makers are conscious of a disturbing precedent. In 1972 President Richard Nixon ordered the mining of Haiphong Harbour in North Vietnam taking the risk that Mr Leonid Brezhnev, the Soviet leader, would cancel their summit meeting in Moscow a few weeks later. The Soviet failure to react was taken as a signal by President Anwar Sadat of Egypt that Moscow was an unreliable ally and he began to shift towards an alliance with the US.

Libya is not as close a Soviet ally as North Vietnam or Egypt but Mr Gorbachev is clearly trying to avoid giving the impression that he can be pushed around.

The extent of the condemnation of the American raid in Western Europe and the Third World is clearly welcome in Moscow. The civilian casualities from the bombing and the demonstrations against it have been shown extensively on Soviet television.

These, however, are benefits which the Kremlin would happily do without. At almost every stage of the crisis Moscow has implied that it considers the Libyan crisis as a diversion away from Mr Gorbachev's main priority of nuclear arms control.

Soviet leader Mikhail Gorbachev (left) said yesterday that the Soviet Union was ready for "serious steps" toward peace but warned that Washington was poisoning the atmosphere between the superpowers, Reuter reports from Moscow.

Asked during a visit to Potsdam in East Germany if be still considered a second summit with US President Ronald Reagan possible this year, Mr Gorbachev said that Moscow was still willing to take steps to improve East-West relations.

"If the US realises it is necessary to take this path we are ready. If it goes on as it is today, trying to poison the atmosphere and heighten tensions, this will throw a shadow over a future meeting," be added.

His criticism appeared to refer to US military action against Libya, which has been fiercely condemned by Moscow, and made clear that prospects for a second summit would hinge on Washington's conduct towards Tripoli.

Soviet Union wishes 'to avoid conflict'

BY ANDREW WHITLEY IN TEL AVIV

THE SOVIET UNION is demonstrably anxious to avoid being drawn into the confrontation between its ally Libya and the US, according to Israeli intelligence analysts. Potentially far-reaching conclusions are being drawn from this assessment.

Senior military sources in Tel Aviv report that a few days before last Tuesday's US air raid on Libya, Soviet technicians manning missile bases and radar installations were withdrawn from their posts, so as to minimise any Soviet casualties.

A similar withdrawal also happened a few weeks earlier, when the US Sixth Fleet, on manoeuvres in the disputed Gulf of Sirte, had attacked Libyan targets including a missile base, according to Israeli intelligence sources.

The Soviet Union's support for Libya throughout the crisis has been distinctly tepid, these officials argue. As one said: "The consequences (of this) for the Libyan-Soviet relationship are much more important in global terms than that between Libya and the US."

Israel is believed to have co-operated closely with the US in sharing intelligence over the Libyan raid, as it did over the Achille Lauro hijack last year. Unconfirmed reports here say Israeli sources helped identify targets in Tripoli and Benghazi for the US bombers, and subsequently assessed the damage caused.

The evident reluctance of the Soviet Union to get involved in the conflict has particularly important implications for Israel's cold war with Syria, analysts here believe. Apart from being Israel's most implacable Arab enemy, Syria is the Soviet Union's most important ally in the Middle East.

Mr Yitzhak Shamir, the Israeli Foreign Minister, was quick to seize on this point last Wednesday in a public message to Syria to heed the lessons of the US-Libyan conflict.

Over the weekend, the officially controlled Syrian media admitted that a series of bomb attacks on public transport had taken place in Syria last Wednesday, killing and injuring many people. According to Lebanese Christian radio stations, 27 people were killed and over 100 injured in the explosions, the most serious in a recent spate of terrorist incidents in Syria.

Italy promises tough approach to attacks on territory

ITALY WILL take a firm attitude to any further Libyan attacks on its territory, Mr Bettino Craxi, the Prime Minister, said at the weekend, James Buxton writes from Rome.

"Anyone who thinks that we could behave in a timid way is wrong," he told a press conference.

The incident in which Libya fired two missiles at the island of Lampedusa last Tuesday was closed, he said. "But if we have to face other missiles which cause death or damage what do you think we will do? Send another protest note? I don't think that that is the attituda of the majority of Italians."

He said that negotiations were under way with the US to bring the US coastguard navigation facility on Lampedusa under Italian control.

Mr Craxi trod a delicate path on relations with the US, and attempted to bridge the gap between different forces in his Cabinet.

Mr Giulio Andreotti, the Christian Democrat Foreign Minister, who has favoured a soft line towards Col Gadaffi, was attacked at the weekend by Mr Bruno Visentini, the respected Minister of Finance and presideot of the Republican Party, which is in the Governmeot. Mr Visentini attacked Mr Andreotti for bis "absolute neutralism."

Mr Craxi said that the US evidence of Libyan complicity in the Berlin nightclub bomb attack was "absolutely convincing." But he said he had advised the US Government against the raid on Tripoli.

The Government also revealed that the number of Italians in Libya had been cut to less than 3,500 from 17,000 only a few months ago.

Athens: A visit to Athens by Libya's assistant foreign minister, Mr Ahmed Sbahati, ended in extraordinary confusion over the weekend after be denied a Greek Government report that he had asked the European Community to mediate the crisis in the Mediterranean with the US, Andriana Ierodiaconou reports.

The Greek Foreign Office bas said after a Friday meeting between Mr Sbahati and Mr Andreas Papandreou, the Prime Minister, that Libya had called on Community countries to contact the parties involved to defuse tensions in the Mediterranean.

ANKARA: The once close relationship between Libya and Turkey is now under intense strain following bomb attacks at the weekend in Ankara and Istanbul, David Barchard writes.

The Libyan Peoples Bureau in Ankara has denied any responsibility for an incident late on Friday when two young Libyans were caught by Turkish police carrying a bag containing explosives and six hand grenades outside the US forces officers' club in the city.

Two more Libyans were subsequently detained in Ankara. In Istanbul on Saturday morning, police detonated a booby-trap bomb placed outside the Koc American Bank, a bank partly owned by American Express.

NEW DELHI: A six-man delegation of foreign ministers from members of the non-aligned movement left New Delhi for Libya and the US yesterday under the leadership of Mr Bali Ram Bhagat, India's Foreign Minister, **John Elliott reports.**

The delegation is going to Tripoli to demonstrate non-aligned countries' solidarity with Libya and it will then go to New York to urge the United Nations Security Council to take steps to prevent any further "acts of aggression" against Libya.

Heavy-hearted Britons make their exit from W Beirut

BY NORA BOUSTANY IN BEIRUT

HEAVYHEARTED and bewildered, a group of some 30 Britons who bad held on to Moslem West Beirut in its most desperate moments were evacuated yesterday by armed escort, after kidnappings and killings made it impossible for them to work or live here.

The gruesome murder of two British teachers and the disappearance of another British journalist last week in retaliation for the US strike against Libya accelerated a decision many expatriates were hesitating to take. "Things have gone too far, too fast," said Mr Peter Kemp, who taught and worked in Beirut for nine years.

"I have given up my flat, resigned from my job and I don't want to leave, but how can I come back?" said Mr Kemp, a close friend of Mr Philip Padfield and Mr Leigh Douglas, whose bodies were discovered Thursday with that of an American hostage, Mr Peter Kilburn.

There have been at least four major British evacuations from Lebanon since 1958, but yesterday's was the most inclusive. Teachers, doctors and even journalists of major news agencies, who had endured Lebanon's worst crises in West Beirut, were moved to the Christian-controlled East. The exodus of British journalists, the first in Lebanon's recent turbulent history, was perhaps the end of an era.

Thirty-five men, women and children piled into two grey buses. Some took their cars, flanked by military jeeps and gun-brandishing militiamen. Trucks mounted with anti-aircraft guns, Beirut-style, accompanied the convoy across the Green Line to the Christian half of the capital.

Most of those who left yesterday were friends and associates of Mr Padfield and Mr Douglas. What happened to them "has changed my view of staying here. They were two entirely honest and innocent people who have died for causes beyond their control," commented an English teacher.

The departure of the old people was the most touching. They had often left before, but always came back to claim their place in the familiar and once friendly neighbourhoods of Ras Beirut, among their favonrite vegetable stalls and fruit vendors.

A few British residents, preferring to wait for a couple of months until completion of their work commitments, stayed behind. The challenges of survival and the sense of solidarity that developed among the dwindling foreign community in West Beirut will be difficult to rediscover. Hardly any evacuees had hopes for any future for westerners here.

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OVERSEAS NEWS

US imposes SDI security curbs

BY PETER BRUCE IN BONN

THE US is imposing tough security requirements on Western allies that join its Strategic Defence Initiative (SDI) research programme and also appears to be trying to force those allies to cut down on trade with Eastern Europe and the Soviet Union.

In addition Washington is trying to persuade West Germany, which has signed an SDI research pact, and a general memorandum of understanding on technology transfers with the US, to make the Ministry of Defence in Bonn responsible for implementing the agreements, rather than, as is planned, the Economics Ministry.

The US is pressing Bonn to consult with it before important meetings of Cocom, the 16-nation body that supervises the export of high technology from the West to the East Bloc.

The agreements, signed before Easter, have been leaked in Bonn over the past few days. This has deeply embarrassed the West German Government not only because the agreements were supposed to be kept secret but also because they demonstrate, in the view of many supporters and critics of the government, that Bonn has been outmanouvred in negotiations with Washington.

Yesterday a Cologne newspaper published the texts of two letters, exchanged when the agreements were signed, from Mr Richard Perle, Assistant Secretary of Defence in Washington to Dr Lorenz Schomerus, Chief of Trade Policy in the Economics Ministry here, and the reply.

Mr Perle, in his letter, says that "for the US side to understand fully the measures you anticipate taking in order to strengthen the effectiveness of your indigenous controls on the export of sensitive technology, it would be most helpful if you could outline several points in greater detail than was possible in the Joint Understanding of Principles.

"Specifically, could you describe the changes to the structure of German law aimed at improving export administration that you anticipate proposing?

"Under the changes you intend to propose would the transfer without government approval of technology embargoed by Cocom constitute a violation of German law? What penalties would be imposed? Does the government intend to seek convictions under the new law with the vigour necessary to create a strong deterrent to unauthorised exports?"

Mr Perle's letter, which seems to imply a distinct uneasiness in the Pentagon about West Germany's commitment to tighten up on its trade in high technology with the East bloc, goes on to say that: "We believe that the co-operation between us . . . would be facilitated by an understanding that we will consult on a bilateral basis with a view to harmonising our approaches to the negotiation of the Cocom list before significant issues are brought before Cocom in Paris."

Washington has often clashed with its European allies when it has tried to tighten up on technology exports to the East bloc.

The European allies have argued that their trade with the Communist world could be badly damaged if the US had its way in Cocom.

In his reply, Dr Schomerus says Bonn is proposing to introduce licensing requirements "for sales of embargoed goods and technologies to certain groups of foreign nationals.

"This will include members of foreign diplomatic or consular missions. We will also propose amendments of the regulations governing transit transactions involving embargoed goods."

"In order to become effective these changes of law will require parliamentary approval," the Schomerus letter says. It is likely that debate on these changes of law will be heated.

Dr Schomerus makes no specific commitment to consult with Washington before Cocom meetings.

Bonn had hoped that by signing a broader memorandum on technology transfer (the joint understanding) it would be able to sell its controversial participation in SDI research as politically harmless.

That is why the Economics Minister, Mr Martin Bangemann, and not the Defence Minister, signed for Bonn. Bonn was particularly keen not to upset Moscow and East Berlin.

And even while the US appears to be trying to squeeze as much new commitment out of Bonn on the basis of that general agreement, it is also clearly unhappy about the economic ministry's role in the programme.

In a letter to Mr Bangemann, dated March 27 and also just leaked, Mr Caspar Weinberger, the US Secretary of Defence, insists that "it is our view that the success of this memorandum of understanding in facilitating the participation of German industries . . . will depend critically upon the efficiency and competence of the counterpart implementing mechanism in the federal republic of Germany."

Prospects for Israeli co-operation improve

BY ANDREW WHITLEY IN TEL AVIV

A HIGH-POWERED delegation of US companies involved in the Strategic Defence Initiative, or Star Wars, programme left Israel yesterday, encouraged by the prospect of cooperation with Israeli high-tech concerns on the project. It was the first US corporate mission to discuss joint work on Star Wars with a foreign ally.

Mr Yitzhak Rabin, defence minister, is expected to sign a Government-level memorandum of understanding with the US on Star Wars research during a visit to Washington in early May. The UK and West Germany have already concluded such agreements with the US.

One contract for work on the SDI programme was signed during the US delegation's week-long visit by Ben Gurion University in Beersheva. A further contract is expected to be signed shortly with Sorek, the government nuclear research centre.

Details on the agreements, and the US contractors involved, have not been disclosed. But among the 20 companies taking part in the mission were Boeing, Grumman, Northrop and General Electric.

Dr Joyce Starr, a director of the centre for Strategic and International Studies at Georgetown University, who headed the delegation, said discussions on a further deal, valued at $50m (£33m) in "a parallel area of activity," had also emerged.

However, Dr Starr said the purpose of the mission, which she had initiated and coordinated, with the blessing of the Pentagon's SDI organisation, had been primarily exploratory.

The Israeli Government has given an enthusiastic welcome to the prospect of sharing in SDI-related research, because of the spin-off benefits for its weapons development programmes.

Its most pressing strategic concern is to develop an effective counter to the Soviet SS-21 ground-to-ground ballistic missiles deployed by Syria. The US has expressed great interest in the work already underway in Israel on meeting this deadly, short-range threat, through anti-missile weapons.

Israel also has advanced work in lasers, electro-optics and infra-red devices. But, according to one participant in the mission, above all what Israel has to offer the US in this field is "a tremendous creativity motivation."

Dr Starr said this was the first time such a diverse delegation of defence contractors had travelled to Israel to discuss a security issue in a "quasi-open manner."

One frustration had been an inability to define logically what the relationship between US and Israeli concerns should be, she said. In terms of access to sub-contracts on SDI research, Israel is being treated on a competitive, equal footing with Western Europe, she said, with no special favours.

Dr Starr said Israel may have slipped a little behind its European competitors in the race for SDI contracts, because of its delay in concluding the government-to-government memorandum covering technology transfer and security matters.

Gonzalez to decide this week on poll date

By David White in Madrid

MR FELIPE GONZALEZ, the Spanish Prime Minister, has to decide this week whether to bring forward this year's general elections from October to June, as some of his ministers and Socialist Party officials are pressing him to do.

The arguments for holding elections before the summer holidays are based on polls showing that the Socialists are well placed to repeat the outright majority they achieved in 1982.

Two other reasons apart from opportunism back up the case, one from economic ministers, who see an October date creating problems in the drawing up of a 1987 budget, and the other from Socialist leaders in Andalucia, where regional elections have already been set for June 22.

Andalucia is the home region of Mr Gonzalez and his number two and chief electoral strategist Mr Alfonso Guerra. The Socialists landslide win there four years ago provided the springboard for their rise to power at national level. However, local Socialist leaders are concerned about whether they can hold the left-wing vote and favour having the general elections on the same date.

Mr Gonzalez has until now favoured continuing to the end of the parliament's four-year mandate. This would be the first time a government has completed its term since Spain returned to democracy after General Franco's death in 1975.

Next weekend is seen as the last feasible time for calling a June election.

● Long queues formed at petrol stations throughout Spain over the weekend ahead of a planned three-day strike by employees of the oil distribution company Campsa.

Panic buying by motorists was such that it posed a greater threat of supply shortages than the strike itself was expected to create. Campsa, owned jointly by the state and by Spanish oil refiners, has up to now held a monopoly in Spain, although this is due to disappear as a result of EEC entry.

Norwegian offshore workers' strike hits gas supply to UK

BY DAVID BRINDLE IN LONDON AND FAY GJESTER IN OSLO

GAS SUPPLY to the UK has been hit for the first time by the Norwegian offshore production workers' dispute, after disruption spread at the weekend to the UK side of the Frigg field.

The British Gas Corporation said yesterday it had lost about 40 per cent of its overall supply. However, it stressed that it was managing to maintain uninterrupted service to customers without difficulty.

The dispute spread when members of the Norwegian production workers' union OAF employed on the UK side of the split Frigg field stopped work in support of their colleagues locked out by the employers on the Norwegian side.

Workers on the British platform, which had been producing normally before the weekend, said they were striking because they felt the employers' association was making no effort to end the dispute.

British Gas said it was able to meet the shortfall in supply, at least for the time being, from storage and from other contract fields. The warmer spring weather meant that demand was not running at peak and was well within even the restricted capacity.

The dispute began more than two weeks ago when the Norwegian catering workers' union called a strike over a pay parity claim and the employers responded with a lock-out of all the unions involved in offshore production.

An extension of the dispute to Norway's exploration drilling rigs and hotel platforms was averted at the weekend by the prospect of a new pay deal for the workers involved. Mr Bjorn Haug, the chief Government arbitrator, said employer and union representatives had agreed to the deal going to ballot.

The proposed deal, recommended for acceptance by three of the four unions concerned, would give crews a 5.1 per cent pay rise backdated to April 1 and a promise of a cut in working hours from January 1 next year.

Haughey pledges tax reform and programme for jobs

BY HUGH CARNEGY IN DUBLIN

FIANNA FAIL, the Irish opposition party, will introduce a major programme of job creation and economic development through tax reform and investment in industry if it is returned to power, Mr Charles Haughey, the party leader, pledged at the week-end.

Addressing the Fianna Fail annual conference, which also celebrated the party's 60th anniversary, Mr Haughey said the monetarist policies of the Fine Gael-Labour coalition had "undermined the foundations of the economy, created serious social unrest, and weakened community life."

Fianna Fail, which has been in power throughout most of its life, appears from polls to be within reach of winning back a parliamentary majority despite the growing popularity of the new Progressive Democrat Party formed by former Fianna Fail deputies disaffected by Mr Haughey's leadership.

Conference delegates gave Mr Haughey his customary rousing reception. He barely touched on the defections, but his autocratic image could still be a decisive factor in the next election, due by late 1987 but expected as early as October this year by opposition leaders.

Mr Haughey, blamed by the present Government for sowing the seeds of Ireland's economic difficulties by excessive borrowing and expenditure when he was in office at the beginning of the decade, said Fianna Fail would introduce immediate, substantial investment in the construction industry (one party spokesman put the figure at I£200m (£180m) and development projects.

The punitive tax regime, in which middle income earners pay 48 per cent, would be reformed to ensure at least two-thirds of tax-payers pay the standard rate of 35 per cent. Tax incentives would be used to stimulate industry.

Netherlands coalition endangered say polls

By Laura Raun in Amsterdam

THE Netherlands' governing Christian Democrat-Liberal coalition would lose its parliamentary majority if elections were held now, a month before the May 21 general elections, according to two public opinion polls released over the weekend.

The centre-right coalition would see its parliamentary strength of 81 seats fall to about 73, several short of the 76 needed for a majority. The right-of-centre Liberals would lose more seats than the centrist Christian Democrats would gain, reflecting the trend seen for some months in which the coalition hovers around the crucial threshold in the 150-seat parliament.

The opposition Labour Party would add 11 seats for a total of 58, both polls showed. This is an improvement on its showing in recent polls

The Christian Democrats, led by Prime Minister Ruud Lubbers, want to continue governing with the Liberals in the next coalition. The popular Mr Lubbers reiterated over the weekend his refusal to serve in the same cabinet with Mr Joop Den Uyl, the Labour Party's campaign leader. He is gambling—with good cause—that voters will shun the Socialists if he declines to accept a cabinet ministership under Mr Den Uyl.

Finnish strike at N-plants

By Olli Virtanen in Helsinki

FINLAND'S power industry workers' union plans to start a strike that would bring the country's four nuclear reactors to a standstill tomorrow.

Barring a last minute wage agreement 1,200 workers, or one fifth of the union's members, wil come out on strike. Power companies said the loss of electricity would be matched by increasing output at other power plants.

Meanwhile, Finland's civil servants' strike is gradually crumbling as the national board of railways decided to open parts of the commuter train service in the Helsinki area on Tuesday. Last Friday the Board of Aviation opened Helsinki airport for a limited number of domestic flights.

OVERSEAS NEWS

RACE HOTS UP FOR PRESIDENTIAL SUCCESSOR

Mexican hopeful wins key job

BY DAVID GARDNER IN MEXICO CITY

THE race to succeed President Miguel de la Madrid of Mexico, whose single term in office expires in 1988, has started in earnest following the appointment of Mr Alfredo del Mazo as the country's Energy Minister.

Mr del Mazo is today due to take over the energy, mining and public sector industry portfolio from Mr Francisco Labastida Ochoa, selected to run the northern Pacific state of Sinaloa, where the ruling Institutional Revolutionary Party (PRI) faces a strong right-wing challenge in elections for governor this October, and where Mexico's powerful drugs mafia has almost established a parallel state.

For nearly a year now speculation has been rife about when Mr del Mazo, currently the governor of the state of Mexico, north of Mexico City, would join the Cabinet. Aged 42, and with a largely financial background in both the private and public sectors, Mr del Mazo is a close friend of Mr de la Madrid and one of the two men regarded as most likely to succeed him as president.

The other frontrunner is Mr Jesus Silva Herzog, the Finance Minister, whose political future looks increasingly to hinge on his ability to squeeze perceptible concessions from Mexico's international creditors.

Following this year's collapse in the price of oil, which in recent years has earned Mexico up to three-quarters of its foreign exchange, Mr Silva Herzog is both seeking new money to cover a finance gap of at least $6bn and on terms which would make servicing Mexico's $97bn foreign debt less onerous to a population worn down by nearly four years of unprecedented austerity.

But Mr del Mazo will also be facing a series of early, potentially bruising challenges, involving the further liberalisation of oil export policy and major public sector cuts.

Mexico this month has begun slowly but inexorably to move towards netback sales agreements with its main oil clients, following last month's decision to make crude prices spot related. Left-wing nationalist currents in and outside the PRI regard this as an inadmissible surrender of sovereignty over Mexico's main resources.

Plans are also far advanced to sell off or liquidate up to a quarter of Mexico's around 800 public sector companies, in a decision which has enormous potential for political controversy.

Mr del Mazo will also have to manage relations with other leading oil producers in and outside Opec, which will give him his first real taste of international exposure—but foreseeably a number of headaches as well.

Talks on Afghan withdrawal to open

By John Elliott in New Delhi

A TIMETABLE for the possible withdrawal of Soviet troops from Afghanistan is to be discussed in Geneva early next month on the basis of a draft document accepted here at the weekend by the foreign ministers of Pakistan and Afghanistan as a starting point for talks.

The document was prepared by Mr Diego Cordovez, the UN mediator. He delivered it to Mr Yakub Khan, Foreign Minister of Pakistan, and Mr Shah Mohammad Dost, Foreign Minister of Afghanistan, who were in New Delhi attending meetings of the Non-Aligned Movement (NAM).

"We have reached a decisive stage and I am very happy about that," Mr Cordovez said. "Until we reached that stage, we could not know if there is going to be a settlement or not."

There is, however, a wide gap between the two countries over the speed of withdrawal of the 115,000 Soviet troops who first occupied the country at the end of 1979. Pakistan is thought to want withdrawal to start quickly and not exceed six months, while Afghanistan is believed to have been talking about up to four years.

"We will negotiate hard on this," Mr Yakub Khan said in Delhi at the weekend. "The pull-out time should just be a matter of a few months, and it would be useless if the starting date is, say, 1993."

Up to now three "instruments" covering non-interference in Afghanistan by other countries and groups, the provision of international guarantees, and the return of 3m to 4m refugees from Pakistan and Iran have been agreed in indirect "proximity" talks.

Mr Cordovez's main coup came last month when he persuaded Afghanistan for the first time to agree to discuss the withdrawal of Soviet troops in the "proximity" talks instead of insisting that Pakistan should join it in direct talks.

Before he left yesterday for Geneva, where the talks will open on May 5, Mr Cordovez said that after an agreement was reached, there would be a "change of format." This is believed to mean that both sides have agreed to a face-to-face meeting for any further talks.

Reagan seeks backing for gas decontrol

By Nancy Dunne in Washington

PRESIDENT Ronald Reagan has firmly rejected the introduction of a tax on US oil imports and instead called for complete decontrol of natural gas prices.

In his regular weekly radio address the President claimed that the Administration decontrol of oil prices in 1981 had resulted in the current fall in world oil prices.

He acknowledged the economic difficulties of the US's energy producing states, but an import tax, he said, would be a retrograde step.

"What we have to do is to go forward with actions that will further improve our energy production, freeing up all remaining energy prices. That means doing to domestic gas what we did to domestic oil — decontrolling it."

He pushed for passage of gas decontrol legislation sent to Congress last week by Mr John Herrington, the Energy Secretary. The Administration asked for but failed to have gas decontrol approved in 1983.

In his speech the president cited a Massachusetts congressman who had opposed the decontrol of oil, believing it would cause hardship for the poor.

"Well, five years later, Massachusetts is enjoying an unprecedented economic comeback," he said.

Rumours on Botha, ANC talks

BY JIM JONES IN JOHANNESBURG

THE South African Government and the African National Congress (ANC) refused at the weekend to comment on growing speculation that their leaders could make use of this coming Friday's coronation of Swaziland's King Makhosetive for face-to-face discussions.

At the weekend Mr Botha's office cited security reasons for declining to say if he would be attending the coronation, while in Lusaka an ANC spokesman cited the same reason for not disclosing Mr Oliver Tambo's plans.

Considerations of protocol will make it difficult for Mr Botha to refuse this invitation to attend the coronation. He is expected to announce his travel plans today.

It is widely accepted in South Africa that the country's pattern of violence can only be broken through agreement between the ruling National Party and the ANC, the principal black liberation movement. Despite this, Mr Botha has consistently refused publicly to talk with the ANC's leadership unless it first renounces the use of violence to bring about change in South Africa.

In recent months he has strongly criticised private individuals, students, clergymen and opposition parliamentarians who have met with the ANC's exiled leadership. Nevertheless, it is most unlikely that the South African Government and the ANC have not put out secret feelers to each other.

● CBS Records, the largest American recording company, has responded to anti-apartheid pressures from leading recording artists and is to withdraw completely from the R100m South African record market. Last week CBS sold its 49 per cent interest in Gallo Recording Company (GRC), the South African record manufacturing company, to its 51 per cent partner, Gallo Africa, for an undisclosed amount.

The withdrawal will mean that local pressings of records by artists such as Bruce Springstein, Neil Diamond and Barbra Streisand will cease to be available in unpirated versions once existing contracts expire.

Record industry executives believe privately that CBS's withdrawal will simply lead to pirated versions of its records being made in South Africa.

US cancels launches of Titan rockets

THE US airforce has cancelled launches of Titan rockets, in the wake of last Friday's explosion of a Titan 34D carrying a secret military payload, writes Nancy Dunne in Washington.

The accident, the second in a row, following seven successes, is a blow to the already crippled American space programme. The Administration and Congress have yet to agree on future plans for the shuttle, and the loss of the Titan, even temporarily, will complicate policy formulation further.

With the shuttle grounded for at least another year, military officials have been insisting that for reasons of national security their payloads will have to dominate the shuttle schedule when flights are resumed. The cancellation of the Titan may strengthen their case.

The secret payload carried on Friday is believed to have been a KH-11 photographic reconnaissance satellite headed for a polar orbit around the earth. KH-11s usually operate in pairs, but there is just one now in orbit and another is thought to have been destroyed in the last Titan accident in August.

The KH-11 can provide details of Soviet arms control compliance and troop movements. The accident may, therefore, hinder US-Soviet attempts to conclude arms control agreements.

OVERSEAS NEWS

Cuba postpones debt rescheduling talks

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

CUBA has postponed negotiations on rescheduling a substantial part of its $3.5bn debt with the Paris Club of Western creditor nations.

The postponement underlines the sharp shortfall in Cuba's hard currency earnings this year because of a poor sugar harvest and the collapse of the international oil price.

Cuba and the Paris Club hed been due to meet later this month. But according to Western bankers the Cuban euthorities have put back the meeting indefinitely. A projected Paris Club mission in May to Cuba pending a thorough reappraisal of foreign exchange earnings has also been postponed.

In recent years the island's principal source of hard currency has come from the resale of surplus Soviet crude. The Soviet Union supplies 11m tonnes a year on the basis of notional needs, with anything saved available for resale.

Cuba Central Bank officials say that such sales last year were worth some $600m; but the decline in the oil price has meant a drop of at least $150m.

Meanwhile, sugar earnings, worth usually around $230m, are expected to be badly hit by an unusually poor harvest, of well below 8m tonnes, low international prices and the need to buy, for the second year running, extra sugar to hand over to Comecon countries to make up for the supply shortfall.

Taken together, foreign exchange earnings could be more than $300m less than originally projected, a drop of almost 20 per cent.

Such a shortfall makes it very difficult for Cuba to maintain its existing debt service obligations with Western creditors without a bigger than expected rescheduling arrangement.

As it is Cuba has arranged a moratorium on its debt of about $10bn with Comecon until 1990.

In addition, the Soviet Union last week signed a new series of trade and economic cooperation agreements to cover the new five-year plan (1986-1990) with credits worth 2.5bn roubles (£2.3bn), a 50 per cent increase over the previous five-year plan.

Despite these difficulties the Cuban authorities are anxious to expand trade with western industrialised countries. But since 1983 Cuban access to import finance has been cut by western banks removing half their $1bn worth of deposits. These deposits were a key source of import finance.

A novel formula to boost trade with the West was devised earlier this year when a UK trading company was formed with the backing of Britain's Midland Bank. With tacit British government approval the company, Goodwood, signed an effective state-to-state five-year trading agreement envisaging each year the import of £40m worth of Cuban goods and the sale of £30m of British goods. A mission is due in Cuba in May to sign the first contracts under this deal.

Peter Montagnon on how central banks are coping with a permanently changed world

Financial innovation 'opens a Pandora's Box'

THE BANK for International Settlements argues at one stage in its new report on innovation in international markets,* that it is a process spurred by the dislocations of the early 1980s. It says there was a desire to get away from dislocations such as high inflation, volatile rate movements and sharp changes in creditworthiness of large economic sectors. Instead, people yearned for predictability and stability.

To e certain extent, therefore, innovation has sought to reproduce artificially this cosy old-fashioned world by introducing new hedging techniques and instruments that separate and reallocate all the risks involved in the new financial environment.

But, as the report also shows, innovation has opened a Pandora's Box. New instruments may have increased the efficiency of the marketplace, but they have also made it more vulnerable to shocks and less easy to understand.

The time has come for central banks to take stock of these changes and edapt their policies eccordingly.

For although a period of greater economic stability might reduce the impetus for change, the chances are that the impact of innovation is here to stay. This is all the more so since the process has become self-fuelling as banks and other investment houses set up new research groups to develop increasingly sophisticated products.

The new study, compiled by a special group of central bankers chaired by Mr Sam Cross of the Federal Reserve Bank of New York, does not claim to have all the answers.

Instead it sets out the problems surrounding innovation from a perspective far wider than that of previous central banking analysis on the subject. This has tended to concentrate on the impact of innovation on bank supervision and accounting policies.

Two main developments stand out:

- The first is the way in which the distinction between banks and other financial concerns has become blurred in the securitisation of international capital markets (or the transformation of old-fashioned credit into marketable debt instruments).
- The second is the limitation that the greater mobility of international capital has imposed on the effectiveness and potential of domestic monetary policy.

In other words the worldwide process of financial deregulation has turned out to have bad sides as well as good, and in an almost rueful aside the euthors state that "particular attention will have to be paid to the speed and form of deregulation."

Even so, they are clear that regulators and central banks are already compelled to live in permanently changed world in which old assumptions, for example that monetary policy can operate by changes in the availability of credit, no longer hold.

Instead the integration of the worldwide capital market and the mobility of capital has meant that the importance of price channels — interest rates and exchange rates — have begun to dominate. Given the range of choices open to borrowers, however, the impact of any given policy changes has become harder to predict.

Also in many countries "the meaning and usefulness of some indicators of monetary policy, such as monetary and credit aggregates, are changing and have at times tended to erode."

The rise in the international mobility of capital has meant that in some countries the exchange rate has increased in importance as a channel of monetary policy. "This means that in some circumstances, the costs of conducting an independent policy will be higher while the benefits are likely to be lower.

"In practice the freedom to conduct an independent policy has declined, particularly where and when expectations about prices and exchange rates are highly volatile."

Another consequence has been that the evailability of capital to finance imbalances has delayed the imposition of appropriate economic adjustment policies.

"Both the magnitude of the present fiscal and current-account imbalances between the US and other large industrial countries, and the extended period of time for which they have persisted seem to provide an example of the ease with which imbalances can be financed when capital is highly mobile internationally.

There is, however, no guarantee that these financial flows will coincide with the macro-economic policy objectives of all governments concerned."

On the financial system itself, the study argues that the changes wrought by innovation have thrown up new questions about the role of central banks in providing ultimate support as lenders of last resort. It questions whether the system will have the resilience to withstand stress and permit the conduct of strong anti-inflationary policies, when needed.

Among its concerns are that the diminishing role of large banks in the credit process will mean that they are less able to provide a liquidity buffer to the system as a whole. Also the blurring of distinction between banks and other financial institutions has made the process of regulation harder.

"The financial system — in some countries more than others — may be becoming increasingly exposed to the risk of gaps in prudential oversight over the consolidated international operations of non-bank financial operations."

This is a particularly important point because of the dependence of banks on non-banks, for example in hedging their exposure on options they have written.

Central banks may, therefore, find themselves increasingly expected to assume some form of responsibility for non-bank firms such as insurance companies and securities houses.

*Recent Innovations in International Banking. Bank for International Settlements, CH4002 Basle, Switzerland.

Growth rates sag in Far East

BY SAMUEL SENOREN IN MANILA

ECONOMIC GROWTH in the member countries of the Manila-based Asian Development Bank was on average only 3.6 per cent in 1985, against 6.6 per cent in 1984. Most of these countries suffered large trade deficits and were faced with rising cost of debt servicing.

In its annual report, the bank said the newly industrialising countries in the region recorded sharp declines in the gross domestic product growth after two consecutive years of high economic growth.

The situation was exemplified by Hong Kong, whose growth rate fell to 0.8 per cent from 9.3 per cent, and Singapore, which had a negative growth rate of 1.8 per cent, against 8.2 per cent.

The ADB forecast that the Asia-Pacific economies would benefit from any further improvement in the world economy and that prospects for increased lending, which reached $1.9bn in 1985, would improve.

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (H), WATLING STREET, LONDON EC4M 9AA NOT LATER THAN 10.00 AM ON WEDNESDAY, 23RD APRIL, 1986 OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 22ND APRIL 1986

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Interest will be payable half-yearly on 25th March and 25th September. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 25th September 1986 at the rate of £2.2079 per £100 of the Stock.

Tenders must be lodged at the Bank of England, New Issues (H), Watling Street, London EC4M 9AA not later than 10.00 AM ON WEDNESDAY, 23RD APRIL 1986, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 PM ON TUESDAY, 22ND APRIL, 1986. Tenders will not be revocable between 10.00 am on Wednesday, 23rd April 1986 and 10.00 am on Monday, 28th April 1986.

Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £96.00 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit at the rate of £25.00 for every £100 of the NOMINAL amount of Stock tendered for must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:

Amount of Stock tendered for	*Multiple*
£100-£1,000	£100
£1,000-£3,000	£500
£3,000-£10,000	£1,000
£10,000-£50,000	£5,000
£50,000 or greater	£25,000

Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore allot to tenderers less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price: tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderers will be allotted at the allotment price to the Governor and Company of the Bank of England, Issue Department.

Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, the balance of the amount paid as deposit will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London EC4M 9AA on any date not later than 10th July 1986. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any payment is overdue).

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 14th July 1986.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St Vincent Place, Glasgow G1 2EB; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast BT1 5BN; or at any office of The Stock Exchange in the United Kingdom.

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
18th April 1986

THIS FORM MAY BE USED

TENDER FORM

This form must be lodged at the Bank of England, New Issues (H), Watling Street, London EC4M 9AA not later than 10.00 AM ON WEDNESDAY, 23RD APRIL 1986, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 PM ON TUESDAY, 22ND APRIL 1986.

ISSUE BY TENDER OF £800,000,000

8 per cent TREASURY STOCK, 2009

MINIMUM TENDER PRICE £96.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 18th April 1986 as follows:

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:

Amount of Stock tendered for	*Multiple*
£100-£1,000	£100
£1,000-£3,000	£500
£3,000-£10,000	£1,000
£10,000-£50,000	£5,000
£50,000 or greater	£25,000

1. NOMINAL AMOUNT OF STOCK
£

Amount of deposit enclosed, being £25.00 for every £100 of the NOMINAL amount of Stock tendered for (shown in Box 1 above):

2. AMOUNT OF DEPOSIT (a)
£

The price tendered per £100 of Stock, being a multiple of 25p and not less than the minimum tender price of £96.00:

3. TENDER PRICE (b)
£ : p

I/We hereby engage to pay the instalments as they shall become due on any allotment that may be made in respect of this tender, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

April, 1986 ....

SIGNATURE ....
of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

MR/MRS MISS	FORENAME(S) IN FULL	SURNAME	
FULL POSTAL ADDRESS:–			
FT	POST-TOWN	COUNTY	POSTCODE

a A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "New Issues." Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

b The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

WORLD TRADE NEWS

NEC bid to beat US dumping rules

BY YOKO SHIBATA IN TOKYO AND LOUISE KEYHOE IN SAN FRANCISCO

NEC Corporation of Japan plans to double production of 256K dynamic random access memory (Dram) chips at its California plant and to increase output at its Scottish factory in a bid to avert dumping duties.

NEC, the largest Japanese semiconductor maker, appears to have found a large loophole in US dumping laws designed to prevent foreign manufacturers from selling products in the US "below fair value." By switching its manufacturing or assembly operations from Japan to other countries it can avoid US dumping duties.

NEC said that it was also considering 256K Dram production in Singapore and Malaysia.

NEC's actions underline the need for a broader solution to the dumping issue, said a spokesman for the Semiconductor Industry Association (SIA), which represents US chip makers. In a broad trade complaint, the SIA has charged Japanese companies with dumping and with closing their home market to US manufacturers.

THE US International Trade Commission has ruled that imports of brass sheet and strip metal from seven countries may be injuring domestic producers, AP-DJ reports from Washington. The Commerce Department will continue to investigate the imports from West Germany, France, Italy, Sweden, Canada, Brazil and South Korea that totalled about $132m last year.

Negotiations between the US and Japanese governments aimed at resolving these issues were suspended earlier this month, with the US trade representative complaining that the Japanese were "intransigent."

"The US had proposed a global production cost and sales price monitoring system that would provide an early warning system to prevent future dumping—which is our goal," said the SIA.

Japanese trade negotiators have countered with a proposal to fix floor prices on Drams, "but that is not acceptable to us because it is not a free and fair trade solution."

NEC, along with other Japanese chip makers, has been charged with dumping 256K Drams in the US in a case initiated by the US government.

In a preliminary ruling, the US Commerce Department has imposed dumping duties ranging from 19.8 per cent to 108.7 per cent on Japanese-made 256K Drams exported to the US.

A final ruling was due on May 27, but this week the Japanese companies were granted a postponement of the ruling until August 1. The extended deadline reopens the possibility of a negotiated settlement of the dumping charges.

Even if a final ruling does impose duties on Japanese Drams, however, it will not affect chips assembled in a third country. Since many Japanese and US chip makers have assembly operations in low labour cost countries such as Singapore, the effectiveness of the dumping case will be limited significantly.

The Commerce Department said that the original draft of its dumping case covered chips assembled in third countries, but the case was amended to cover only Japanese chips, "because we had no information relating to third countries," said a spokesman.

US chip makers could request a further amendment to the case, the Commerce Department said, but no such request has "yet" been made.

Earlier this month Hitachi announced that it was to start direct shipment to the US of 256K Dram chips produced at its Malaysia subsidiary. It plans to begin the shipments in June.

The Japanese company had been exporting chip wafers to Hitachi Semiconductor (Malaysia) and sending the completed products to Japan where they were expected and shipped to the US.

Senators lobbied on Canada free trade talks

BY NANCY DUNNE IN WASHINGTON

THE Reagan Administration, caught off-guard by Senate opposition, has mounted a strenuous lobbying campaign in support of the endangered negotiations for a free trade agreement with Canada.

The Senate Finance Committee, which is empowered to scuttle the proposed "fast track" negotiations, is due to vote tomorrow, one day before its final chance to say "No."

If neither the Finance Committee nor the House Ways and Means Committee forbids the talks, then the Administration will be empowered to negotiate an agreement which could not be amended by Congress, although the legislature could still veto the entire pact.

It is generally agreed that had the committee voted last week, the "fast track" process would have been disapproved. Committee Republicans, however, acceded to a request for delay by Mr Clayton Yeutter, the US Trade Representative, who had to fly to Europe at the end of the week for the industrial countries' ministerial meeting and talks about a highly inflammatory agricultural trade dispute.

Mr Yeutter held up his departure to call recalcitrant senators to ask if he could "alleviate their concerns." He met with 30 industry representatives and received promises of lobbying support and strongly urged the White House, preoccupied with Libya and Nicaragua, to schedule a meeting before the vote in order to put pressure on the rebelling Republicans.

Last Wednesday, 12 members of the Finance Committee—both Republicans and Democrats—wrote to the President to ask him to withdraw his bid for the Canada talks.

SHIPPING REPORT

Rates unmoved by air raid

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE US strike against Libya gave the tanker market a talking point last week, though it did not cause any fluctuations in freight rates.

Libyan charterers had arranged several vessels to take cargoes for various destinations, mostly in the Mediterranean, but the large amount of tonnage available meant they did not have to pay more than existing rate levels.

Since the attack, loadings from Libya have, not surprisingly, come to a virtual halt. But owners have generally managed to fix their vessels elsewhere with the abundance of oil supply from other producer countries, said Galbraith's, the London shipbroker.

As has become the practice in the market, a number of VLCCs (very large crude carriers) were chartered last week on a confidential basis.

E. A. Gibson Shipbrokers said that at least 10 big tankers had found work in the Gulf in early April. Of last week's known fixtures, a 260,000 tonner obtained *Worldscale* 22 for discharge in the West, a low rate in line with recent levels.

World Economic Indicators

TRADE STATISTICS

		Feb. '86	Jan. '86	Dec. '85	Feb. '85
UK £bn	Exports	6.186	6.255	6.387	6.915
	Imports	6.524	6.116	6.405	7.178
	Balance	−0.338	+0.140	−0.18	−0.263
Japan $bn	Exports	15.064	12.795	17.957	12.923
	Imports	11.163	10.907	11.312	10.584
	Balance	+3.901	+1.888	+6.645	+2.339
USA $bn	Exports	17.735	17.006	16.994	17.143
	Imports	30.225	33.465	32.141	27.169
	Balance	−12.490	−16.459	−15.147	−10.026
		Jan. '86	Dec. '85	Nov. '85	Jan. '85
Germany DM bn	Exports	45.90	45.45	44.34	43.67
	Imports	36.91	37.83	37.64	39.30
	Balance	+8.99	+7.62	+6.70	+4.37
France FFr bn	Exports	76.33	73.62	75.18	66.20
	Imports	72.87	77.05	75.67	76.85
	Balance	+3.46	−3.43	−0.49	−10.65

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UK NEWS

Drive to lift performance of high-tech companies

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

SENIOR EXECUTIVES of leading high-technology companies are being invited to join a drive to improve the performance of key sectors of UK industry in international markets.

The initiative, which has already won a degree of government backing, will be launched at a conference of 30 to 40 selected executives and managers in June.

Sir Peter Parker, chairman of the British Institute of Management, has been invited to chair the launch conference. Others who have been approached about the project include Mr John Butcher, junior Trade and Industry Minister, and Sir Terence Beckett, director general of the Confederation of British Industry (CBI).

One of the industrialists behind the move, Mr Peter van Cuylenburg, UK managing director of Texas Instruments, the largest US semiconductor manufacturer, says that in the UK "too many companies think they have to fight it out in the local market rather than co-ordinate their efforts in international markets."

Mr van Cuylenburg and his colleagues want to create a framework within which UK companies can reach agreement on international market priorities for the 1990s and then work together to target their resources most efficiently. Their aim is to attract to the initiative senior executives in high-technology companies who have the power to make specific business decisions aimed at achieving the agreed priorities.

A delegation which saw Mr Butcher said they were satisfied that the Government – while unwilling to intervene directly – would support the group's objectives in specific ways. Mr Butcher emphasised the Government's desire to break down structural barriers to competitiveness, such as unnecessary regulation. The Department of Trade and Industry is apparently also willing to arrange periodic progress-report conferences if the initiative goes ahead.

● An important development in the drive to reform industrial training in the UK will come this week with the publication of the results of a review into vocational qualifications.

There is evidence that employers, parents and trainees share a widespread lack of understanding about the existing range of qualifications available.

The Manpower Services Commission, which administers the Government's job programmes, set up a working group a year ago to recommend ways of creating a more comprehensible and relevant system of qualifications.

Lord Young, Employment Secretary, and other ministers, attach the highest importance to the review.

Tory MP will give up seat over Ulster

By Our Political Editor

LORD CRANBORNE is to stand down as Conservative MP for Dorset South at the next general election, largely because of the Government's imposition of the Anglo-Irish agreement.

In a letter to his constituency chairman, he said the consideration which tipped the balance towards stepping down "in the final analysis was the Government's imposition of the Anglo-Irish agreement on the people of Northern Ireland.

I would find it very difficult to stand at the next general election as a candidate of a party which, in my opinion, has contrary to its declared principles, abandoned the union of Great Britain and Northern Ireland."

His stand is in line with the Cecil family tradition since he is a direct descendant of the late 19th century Marquis of Salisbury who, as Conservative leader and Prime Minister, fought Gladstone over Irish home rule and protecting the interests of Ulster.

Lord Cranborne had a 15,098 majority over the SDP/Liberal Alliance at the last general election.

Goldman Sachs sees possible EMS move

BY WALTER ELLIS

MR NIGEL LAWSON, the Chancellor of the Exchequer, may already be operating a policy of "shadowing" the European Monetary System (EMS) as a means of preparing sterling for what he hopes will be its early introduction into the exchange rate mechanism.

This is the conclusion of US securities firm Goldman Sachs, which sees UK interest rate policy thus becoming more dependent than before on the sterling-D-Mark rate.

Commenting on Mr Lawson's speech last week to the Lombard Association, in which the Chancellor of the Exchequer said it made sense to limit "wild" swings in the exchange rate, "particularly against European competitors", Goldman Sachs look to a policy that would stabilise sterling against the D-Mark at a rate of between DM 3.30 and DM 3.50.

This, they say, would hold fluctuations in the rate between the two currencies to around 4 per cent, corresponding to the "notional" range for sterling established in the realignment of the EMS agreed by European Community ministers in The Hague earlier this month.

Mr Lawson and Sir Geoffrey Howe, the Foreign Secretary, are now understood to be strongly in favour of sterling's full entry into the EMS and are reported to be pressing Mrs Margaret Thatcher, the Prime Minister, to abandon her opposition.

Goldman Sachs argue that it was political considerations, relating to the Prime Minister's continued EMS doubts, that prevented Mr Lawson from proclaiming his out-and-out support for early membership.

The likely short-term effect of such a strategy would, according to Goldman Sachs, be a drop from 11 per cent to 10 per cent in UK interest rates followed by a period of greater stability

Three reasons are advanced for this analysis:

● A rapid fall in rates would endanger the "shadow" range for the sterling-DM rate.

● Such a fall would probably be inconsistent with the Government's cautious policy on inflation.

● Sharply lower rates might encourage a "bounce-back" in the money supply.

Calls for reform of prison service

By David Brindle, Labour Staff

THE TRADES Union Congress (TUC) is preparing to publish a call for the setting of minimum standards in Britain's penal institutions, highlighting many of the issues in the present prison officers' dispute which may lead to industrial action by prison officers.

The policy statement, drawn up jointly by the TUC-affiliated unions in the prison service and approved by the TUC general council, identifies overcrowding as the main problem facing staff and inmates alike.

It says overcrowding raises fundamental questions about the purpose of imprisonment and the quality of life for prison staff. It is essential, it argues, that the service should be provided with the necessary financial and human resources.

As well as calling for a review of prison standards, the TUC statement proposes a fresh look at sentencing policy in the courts and the need for development of a comprehensive rehabilitation service for ex-prisoners.

The presence within the prison system of almost 5,500 more inmates than the total "certified normal accomodation" – just over 41,000 – will be one of the issues discussed today when leaders of the Prison Officers' Association (POA) meet Mr Douglas Hurd, Home Secretary, to try to avert industrial action over staffing levels.

The POA says it will begin action without warning at any time before May 7 unless it reaches satisfactory agreement on its right to negotiate staffing numbers for duties within each penal institution.

Other prison service unions say they share the POA's concern at the effect of budgetary constraint on staffing and, consequently, prison activities. They say they are still waiting for evidence of the Government's commitment to provide alternative out-of-cell activities after the announcement last month of closure of 34 of the 310 prison workshops.

The college lecturers' union NATFHE, representing prison education tutors, is conducting a survey of cuts in classes after complaints of sharply reduced provision at prisons such as Birmingham, Durham and Preston.

JAPANESE TO BE TOLD OF CYCLICAL DOWNTURN IN DEMAND

Car sales likely to slip from peak

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE BRITISH motor industry will today tell Japanese producers that new car sales in the UK are expected to drop back slightly this year from the 1985 record level and fall again in 1987.

An exchange of forecasts is an important part of the annual meeting between the UK Society of Motor Manufacturers and Traders (SMMT) and the Japanese Automobile Manufacturers Association (Jama), the latest of which takes place in London this week.

The Japanese are almost certain to agree to continue for another year the restraints on car shipments to the UK that they first imposed on themselves in 1975 – after diplomatic pressure from the British Government – to help the recovery of the state-owned BL vehicles group.

Mr Harry Hooper, the SMMT's president, will tell the Japanese delegation, headed by Mr Takashi Ishihara, president of Jama, that the UK industry expects new car sales this year to slip from the record 1.83m in 1985 to 1.82m. A cyclical downturn in demand, particularly in the company car sector, should take sales in 1987 down to 1.785m.

The informal industry-to-industry agreement also covers the light commercial vehicle market. The SMMT forecasts that 1986 sales of new light commercials will fall from last year's 228,453 to 227,000 but recover to 228,000 in 1987.

The "voluntary" agreement was then expected to last for two or three years at the most but instead has remained in place continuously since 1975 and looks set to become a permanent part of the UK motor industry scene.

In practice, the agreement holds the Japanese share of the UK new car market at around 11 per cent. The sales forecasts help the Japanese decide on how many vehicles to ship.

To win their 11 per cent of the UK new car market – which is becoming increasingly difficult in competitive conditions – the Japanese shipped 185,625 cars to Britain last year against 187,207 in 1984.

● The UK new car market could rise to 2m units a year of its own accord within the next two to three years, according to Mr Guy Bergeaud, managing director of Renault UK.

This could happen without the Government taking any action to remove the 10 per cent special car tax, which had been attacked persistently as an anomoly by the UK motor trade and industry, said Mr Bergeaud.

Despite last year's record 1.82m sales, the UK still had among the lowest car ownership per capita in Europe, but it remained one of Europe's biggest markets in terms of volume.

Japanese advantage, Page 11

Labour to sharpen policies

By Peter Riddell, Political Editor

A £100,000 campaign is to be launched tomorrow to present the Labour Party's education, housing and social policies as "up-to-date" and relevant to people's interests.

The campaign, entitled "Freedom and Fairness," will use the slogan "putting people first" to advance the main points of Labour's social programme.

The campaign will use publicity material and leaflets for local campaigns, a series of advertisements in major regional newspaper and co-ordinated themes in speeches and interviews

The launch in London by Mr Neil Kinnock, the Labour leader, and Dr John Cunningham, the party's Environment Spokesman who will be responsible for the campaign, will be followed by a party political broadcast.

The campaign is based on extensive market and survey research which shows the need for Labour to appear fresh and up-to-date in its policy proposals

The research indicates that, while Labour scores highly as the party with the best policies on health, housing and education, many see the SDP-Liberal Alliance as presenting newer ideas and that Labour is in danger of being seen as rooted in the 1960s and 1970s in its approach.

Elders plans to revive fight for Allied-Lyons

BY ALICE RAWSTHORN

ELDERS IXL plans to renew its battle for control of Allied-Lyons in June or July, providing it receives clearance from the Monopolies and Mergers Commission, according to its chairman, Mr John Elliott.

Speaking on independent television yesterday, he defended Elders' decision to take the Monopolies and Mergers Commission to court – the case will be heard in the High Court tomorrow – in order to overthrow its decision to allow Allied-Lyons to have access to details of the financial arrangements for Elders' restructured bid proposals.

"Never in any takeover in the world have I ever known a company to hand over financial proposals and strategy to the opposition," he said.

"To me it is a ludicrous situation."

The commission gave Allied-Lyons access to the details of Elders' offer because of the unusually high level of gearing involved. Mr Elliot claimed that it was the Bank of England rather than the commission which should decide whether the level of gearing is practicable.

"We don't believe that Allied are the proper people to measure our financial soundenss," he said. "Part of a takeover battle is to do with tactics and if we are required three or four months in advance to give that data to Allied, we think that is most unfair."

Mr Elliott dismissed suggestions that Allied-Lyons' proposals to acquire Hiram-Walker's drinks division could affect Elders' proposals. "We don't see that as an obstacle," he said.

He did accept that Broken Hill Proprietary's decision to buy options on a 20 per cent stake in Elders would be helpful, however.

Unions put jobs plan

BY PHILIP BASSETT, LABOUR EDITOR

TRADE UNION leaders in Scotland yesterday launched a programme to revitalise Scottish industry. The programme also tries to deal with low unionisation in high-technology companies and the changing nature of employment.

The Scottish Trades Union Congress (STUC) suggested that its document amounted to a strategy for the creation of up to half a million new jobs.

It was welcomed by UK union leaders such as Mr Ron Todd, general secretary of the Transport and General Workers' Union, as a blueprint for unions to follow more generally.

New rules for Brent contracts

By Dominic Lawson

BRITISH PETROLEUM (BP) has launched a new standard contract for spot trading in Brent, the main North Sea crude.

The move is designed to bring liquidity back into the Brent forward market which has been almost dormant since February, when the market collapsed among defaults and litigation.

BP was by far the biggest player in the Brent market and its own standard contract was the most widely used. Its new conditions outlined in today's edition of Petroleum Argus will apply to contracts for cargoes delivered from June onwards.

The main innovation in BP's 30-page new rule book is a provision for sellers of crude oil cargoes to demand early cash payment if the market price subsequently falls.

The chief reason for the collapse of the market earlier this year was that some companies who had committed to buy at prices in excess of $25 a barrel were unable or unwilling to meet their obligations months later by the time actual price had halved.

BP's new clause stipulates that the seller can call for payment within five days of a sum between the price agreed and the estimated actual market price, less interest.

Raymond Snoddy on the optimistic mood at Britain's newest newspaper

Today looks forward to tomorrow

MR EDDIE SHAH, the publisher of Today, admits now that launching his revolutionary oew colour tabloid newspaper early last mooth went much worse than be believed possible. Almost everything that could have gone wrong did and two weeks after launch for a short period one evening Mr Shah had had enough.

After a particularly difficult day, Mr Shah asked: "Where's the front page with colour?" Only to get the reply: "What front page?" The front page of Today had temporarily been mislaid on the way to transmission to the three plants where it is printed and vital time had been lost.

"I've heard of 'hold the front page' but never 'what front page'", says Mr Shah, reviewing as if it were already history events of only four weeks ago.

"I blew my cool. I actually cracked. I'd had enough." Mr Shah is disarmingly honest about the quality of his newspaper. "I would oot have bought that paper in the first two weeks. It was a bad newspaper with colour out of register. Critics said it was like a provincial free-sheet. It was not as good as a good free newspaper."

He can talk so calmly about the disasters of the launch because he believed Today reached bottom about two weeks ago, and since then had been on the way up.

The lowest point Today ever reached, Mr Shah insists was a circulation of 480,000 and he denies claims by Fleet Street rivals that it went as low as 350,000.

The turning point appeared to come at the beginning of this month and Mr Shah says the paper is now selling between 630,000 and 640,000 copies a day.

The claim receives independent backing from readership research, conducted by AGB cable and Viewdata. Since just before the launch an AGB panel of about 1,000 people have been keeping a record of their oewspaper reading habits.

For the first four weeks readership of Today dropped from 9.1 per cent of the panel to 3.9 per cent. It then steadied at 4.1 per cent before rising to 4.6 per cent in the last week.

Mr Shah says the issue covering last week's bombing of Libya sold 800,000 copies, and the story was on the front page of two out of the three editions, produced in London and Birmingham and Manchester.

At the moment Mr Shah is considering whether to launch a second large television advertising campaign in May.

With a painful memory of the launch advertising – sunglasses to protect eyes from the dazzle of colour that actually appeared like washout watercolour – and the "We're ready Eddie" slogan when Mr Shah clearly was far from ready, he may well decide on a gradual approach.

Mr Shah is now hoping to build circulation step by step. "If we can build 3,000 or 4,000 a day, by the end of July we will be back at 900,000." A promotional campaign to give away 200,000 free copies a day after 4pm on the day of issue has already begun.

Mr Shah says the cost structure of the newspaper with direct entry of copy by journalists means it can break even with a circulation of 350,000 as well as some advertising.

Even without further commercial improvement in its first year, Mr Shah says Today will still make pre-tax operating profits of £5m.

But he has temporarily dropped plans to site a fourth printing plant in Rotherham, south Yorkshire. Today has done better in the south of England – a readership profit of just under 50 per cent ABCs top social-earning group under 40 is claimed. The new plant will be set up east of London to serve an area where distribution difficulties have been greatest.

"We have now caught up with ourselves," says Mr Shah and got to where he hoped the paper would have been before launch.

The electrical problem at Today's headquarters in south London's Vauxhall Bridge Road which caused computers to fail when someone plugged in an electric kettle prevented any proper asessment of the equipment before the launch date.

It was only the enthusiasm of the staff, Mr Shah says, which stopped him postponing the launch.

Colour was another big disappointment. It was out of register and appeared washed-out when the ink density had to be reduced because of drying problems.

Now, up to 85 per cent of the ideal density is being applied. An extra 40 Ft (12m) of tracking is being added to the printing presses to increase drying time to achieve the full colour density.

Since the launch developments at Today have been fast:

- About 30 new production journalists have been or are about to be taken on. The demands of fully electronic production were underestimated.
- Mr Dennis Hackett, a oewspaper consultant noted for turning round publications that have failed to hit their initial target, began work last week as executive editor. Already the front pages have started to look more dramatic.
- The number of pages has been reduced from 44 to 40 after research suggested readers were finding the paper too bulky.
- Advertising rates were cut this month by 20 per cent to reflect the lower than expected circulation. A black and white page now costs £3,600 and a colour page £7,600.
- Distribution in Glasgow and Edinburgh inhas Scotland has begun sooner than originally intended.

Mr Mark Pritchett, Today's advertising director, believes that advertising revenues for the year should top £20m and that the original target of £30m is "not inconceivable."

For Mr Brian MacArthur, Editor of Today, who like many of his staff has been working a 15 hour day, there have beeo "moments of depression and despair." But he says he is proud of the way the staff have taken the strain.

Journalists on the paper complain most about early deadlines – most stories for the first edition have to be completed by mid-afternoon.

Because later breaking news has to be covered for the later editioos, staff say they are working as if they were producing an evening aod a *daily* newspaper, seven days a week.

More titles planned

MR EDDIE SHAH is considering launching a series of newspapers over the next 12 months.

Preminary planning is being carried out for three nationals as well as evening newspapers at Mr Shah's three printing plants. He is looking at the possibility of setting up:

- A national daily sports newspaper reflecting his belief that the lower production costs he has achieved make specialist newspapers financially viable.
- A family-based popular daily which would be down-market from Today.
- A quality daily aimed at The Guardian's sector of the newspaper market.
- A linked series of evening papers which would share editorial and production costs.

The first suggestions that Mr Shah is considering expansion come uearly seven weeks after the difficult launch of Today. The timing of any expansion would be governed to some extent by the progress made by Today.

No final decisions have been taken and even some executives of Mr Shah's News (UK) wonder whether such plans are practical in the time scale envisaged. If a decision is taken to go ahead, the company is likely to go to the City of London to raise more than £20m for expansion.

Mr Shah is believed to be determined to ensure that others are not left free to exploit the opportunities opened by the creation of Britain's first national electronic newspaper.

- The new quality daily newspaper, the Independent, which will be launched this autumn by a group of former Daily Telegraph journalists, has completed its £18m financial package in what is believed to be the biggest-ever venture capital issue in the UK, writes Alice Rawsthorn.

In January, the Independent raised £2m in start-up finance. The second round of finance, which was completed at the end of last week, generated £16m. The newspaper has also secured £3m in bank loans.

About 30 institutions subscribed to the offer, including the insurance houses, the Prudential and Legal & General and the investment management houses Touche Remnant, Henderson Administration and Foreign & Colonial.

The ease with which the Independent has raised its launch capital contrasts sharply with the problems Mr Shah encountered when he approached institutions two years ago to raise finance for the launch of Today.

Several of the institutions now supporting the Independent – including the issue's sponsors, the merchant bank, Charterhouse Japhet – rejected Mr Shah's proposals.

UK NEWS

Three years of growth forecast for building

Financial Times Reporter

THREE YEARS of growth in the construction industry has been predicted by the National Council of Building Material Producers.

The outlook for the UK looked good, with inflation having fallen and with interest rates set to fall significantly, the council's forecast said.

It was likely that demand in the construction industry would switch from consumer spending towards industry. Lower oil prices would have an important influence on industry.

The council said that the most positive performance was expected from the private sector and from repair, maintenance and improvement.

Private housebuilding was expected to be stable, benefiting from continuing growth in consumers' spending power, but subject to considerable regional variation. "Better conditions will be reflected in a move up-market rather than an increase in housing starts" the council said.

The council predicted a total of 185,000 housing starts this year compared with 194,800 last year. Next year housing starts would remain at the same level as this year and in 1988 would fall to 180,000.

There would be no increase in public sector housing starts, with 25,000 predicted this year

Japanese car makers 'likely to retain marketing advantage'

BY JOHN GRIFFITHS

THE RISE in the yen has meant that a new Japanese car sold for £5,000 is earning about £400 profit for its manufacturer in the UK, is sold at breakeven in West Germany and is yielding less than $1,000 profit in the US, according to a study from the Motor Industry Research Unit.

UK and other Western producers might also be hoping that the competitive advantages of the Japanese will be lost as they began to produce vehicles in Europe and the US, and that any level of efficiency they achieve could be reproduced by domestic companies.

"If recent history is taken as a model for the future, the Japanese will remain one step ahead of western vehicle makers in terms of cost-effective production and aggressive marketing. Their sales will continue to increase as will their presence in new market areas such as car-derived vans and light/medium commercials," says the report.

Many industry participants and observers appeared to believe that the Japanese "problem" had gone away not least because of the coordinated rise of the yen. But the Japanese motor manufacturers had both the need and the ability to take their expansion of sales and manufacturing interests in Europe and the US into a new phase over the next decade.

Even though they might appear to have reached the limits of acceptable export growth in many major markets without falling foul of protectionist action, their next phase would involve increased overseas investment, collaboration with western manufacturers and re-orientation of product ranges.

Western vulnerability to continued Japanese incursions were apparent in many areas.

Areas in which European producers could traditionally regard themselves as superior, such as design and performance engineering, were also being successfully encroached upon by the Japanese.

European and US producers were learning from the Japanese and getting tough with their suppliers. But this would require painful adjustments in the Western components industry. If it could not compete, Western vehicle makers could well switch to Japanese component suppliers in order to remain competitive.

Japanese Automotive Strategies: A Europe and US Perspective. The Motor Industry Research Unit, School of Information Systems, University of East Anglia, Norwich NR4 7TJ; £230.

Unionists expected to step up campaign

By Our Belfast Correspondent

ULSTER Unionist leaders may this week call for a campaign of civil disobedience, including the withholding of rates by loyalists to intensify their protest against the recent Anglo-Irish agreement. Withholding rates and other payments such as road tax have been considered by the joint working party formed by the two main Unionist parties, the Democratic Unionist Party (DUP) and the Official Unionist Party.

The detailed plans for stepping up the campaign will be announced at a special sitting of the Northern Ireland Assembly on Wednesday.

The Rev Ian Paisley, MP leader of the DUP, said at its annual conference on Saturday there could be no compromise of the Unionist position that negotiations with Mrs Thatcher, the British Prime Minister, could not take place until the Anglo-Irish accord, which gives Dublin a say in the affairs of the province, "ceases to be implemented."

He said a proper framework for negotiations "entirely outside the agreement" would have to be devised and until then there could be no easing of the protest.

Tax on ADRs not yet applied

By Alexander Nicoll

THE controversial 5 per cent charge announced in last month's UK budget on conversion of UK shares into American Depositary Receipts (ADRs) is not yet being applied.

Brokers seeking to convert shares are finding that a 1 per cent rent tax is being imposed as before the budget. The remaining 4 per cent will be charged after the Finance Bill, which receives royal assent.

Inland Revenue officials denied that this was an indication that the tax would be amended or dropped, as has been demanded by many leading British companies with shares outstanding in ADR form.

UK NEWS

INSURANCE

US shows recovery but elsewhere decline continues

BY ERIC SHORT

UK insurance companies at the beginning of last year were predicting that 1985 would see the nadir of the misfortunes on their worldwide general insurance business.

After years of declining profitability, resulting in overall operating losses in 1984 on this business, they saw recovery beginning in 1985 as the companies put their business in order in the US, the UK and the other significant operating territories.

All the main insurance companies have now reported their 1985 results and it is possible to see whether they have indeed turned the corner.

The table shows the aggregate results of the five quoted composites Commercial Union (CU), General Accident, Guardian Royal Exchange, Royal Insurance and Sun Alliance, plus Legal and General, Prudential Corporation and Pearl Assurance – mainly life companies with a substantial general insurance business – and Eagle Star Holdings, now a member of BAT Industries.

In sterling terms the aggregate results do not look promising, but sterling showed a strong recovery against the US dollar and many other currencies in 1985, which had a detrimental effect on results.

The basis of the projected recovery was the strong premium rate increases, particularly in commercial lines, in the US, UK and Canada. The growth looks minimal in the table, but this was held back by the strength of sterling and the cut in its US business by CU. In local terms, premium growth of more than 20 per cent was recorded by some insurance groups.

The table shows that, as far as underwriting is concerned, the recovery has indeed started in the US. Underwriting losses started to drop last year from their terrifying levels in 1984. The higher premium rates, cuts in operations and a drive to control expenses were paying off for companies, particularly Royal Insurance, with its heavy commercial involvement.

However, the picture in the rest of the territories is quite different. Overall results continued to deteriorate last year in the UK, despite higher premium rates. Personal line business was hit by the bad weather early in the year and in the last week of the year. Motor insurance business has gone sour, with a significant rise in the number of claims which the industry cannot really explain.

Business in Canada has been affected not only by severe weather and keen competition, but by court awards that have been heavily weighted against insurance companies. Business in Australia has turned down rapidly, hit by a series of natural disasters and the authorities taking over workers' compensation business. Companies operating in Europe just cannot seem to get back on to a recovery cycle.

The improvement in the results for the rest of these companies' business in the rest of the world arises primarily from the recovery in their reinsurance operations, going hand-in-hand with the recovery in the mainstream insurance business.

Companies rely heavily on their investment income to cover underwriting losses. The fall shown in the table generally reflects the strength of sterling. But some companies recorded an underlying fall – CU from its reduced cash flow and Sun Alliance from the cash-based takeover of Phoenix assurance.

GENERAL INSURANCE RESULTS OF LEADING COMPANIES

	1985 £bn	1984 £bn	Change %
Premium income	11.30	10.73	+4
	£m	£m	
Underwriting losses			
US	567	725	−22
UK	522	503	+4
Canada	163	137	+19
Australia	70	12	+483
Europe	199	72	+48
Rest of the World (inc reinsurance)	199	249	−20
Total underwriting losses	1,628	1,698	−4
Investment income	1,513	1,570	−4
Life profits	399	375	+6
Pre-tax profits	194	256	−24
Net profits	116	115	—
Dividends		average	+11

Source: Wood Mackenzie

Miboc to issue policy statement on marketing

BY ERIC SHORT

A POLICY statement on the marketing of life assurance and unit trusts will be made today by Mr Mark Weinberg, chairman of the Marketing of Investments Board Organising Committee (Miboc). It will attempt to reconcile the disclosure requirements of MPs with the life assurance industry's worries about the consequences of meeting that need.

Miboc is responsible for the marketing aspect of financial services and last December it published a consultative document on its proposals for classification of life assurance salesmen and on disclosure of commission.

It proposed that salesmen should be "polarised" into either completely independent or full-time company representatives of just one life company or unit trust.

The proposal has been accepted by the Association of British Insurers and the British Insurance Brokers' Association.

On commissions Miboc proposed that independent intermediaries would be required to disclose commission payments unless they were operating under an industry-wide commissions agreement when they need only disclose this fact. In contrast, company representatives would not be required to make any disclosure.

MPs on the standing committee dealing with the Financial Services Bill demanded that there should be full disclosure by all salesmen not only on commission but on charges and early cash-in values. Mr Michael Howard, Minister for Corporate and Consumer Affairs, referred the matter back to Miboc to deal with these points.

This afternoon's document will set out Miboc's response in dealing with these points. In particular, it will be seen whether Miboc has accepted the MPs demands, or whether it has produced a compromise that Mr Howard can get MPs to accept without arousing the opposition of the life assurance industry.

In effect, the actions of MPs has forced the pace of Miboc in producing its detailed proposals for the marketing of investments. It has had to accelerate an already very tight timetable to produce proposals in time for the report stage of the bill.

Miboc will say something on its views for giving projections of benefits on maturity and illustrations of early cash-in values to potential investors as part of product details required by MPs. On this subject Miboc, as yet, has not set out its views for discussion.

BANKING: THE NEW FRONTIERS

Alexandre Lamfalussy (left), Gerald Corrigan and Peter Cooke

Ideally, the globalisation of banking markets should be accompanied by a parallel globalisation of banking supervision

The battle to keep tabs in the face of rapid change

By David Lascelles

A GLOBAL capital market where billions of dollars can instantly hunt out the best yield in any longitude at any time of the day or night must, as the history books say, be a good thing, at least for efficiency. But while this prospect has enticed bankers all the way from Cheapside to Chiyoda-Ku to set up elaborate worldwide securities operations, their excitement is not wholly shared by those who are supposed to keep the world financial system in order, the central bankers.

Mr Alexandre Lamfalussy, director-general of the Basle-based Bank for International Settlements, the central bankers' central bank, confesses to "a sense of unease" at what be sees. A study last winter by the Federal Reserve Board in Washington concluded that while the world stood to gain from greater competition and better capital deployment, "these benefits have not been costless."

Central bankers have not kept quiet about their concerns. In many speeches in recent months they have said that the move by banks out of old-fashioned lending and into securities could make the banking system less stable and affect monetary controls. Today the BIS will be publishing a major study on these questions prepared by officials from the Group of Ten countries headed by Mr Sam Cross, executive vice-president in charge of international markets at the New York Fed.

Banking officials are supposed to err on the side of caution, of course. And having taken their share of criticism for failing to head off the Third World debt crisis, they want to pre-empt whatever trouble banks are heading into next.

But what sharpens their concerns is the suspicion that the size and speed of change in world finance are now so great that few people really even understand what is going on. One central banker, who has tried harder than most to get to grips with it, describes the intellectual exercise as akin "to trying to get your hands around a piece of jelly." The real fear is that the world banking system may now have grown beyond the ability of national authorities to control it.

Mr Gerald Corrigan, the president of the New York Fed, summed up his worries recently in these words: "Events have undercut the effectiveness of many elements of the supervisory and regulatory apparatus historically surrounding banking and finance. If it can't be done onshore, it's done offshore; if it can't be done on the balance sheet, it's done off the balance sheet, and if it can't be done with a traditional instrument, it's done with a new one." Mr Corrigan said this was not wholly bad; it was a sign of the vitality of banking. But it dictated caution.

Another official has put it more bluntly: "What worries me is that I don't know where the next explosion is going to come from."

It would help if there was greater confidence that the banks themselves had well-calculated profit expectations and a proper understanding of the markets. While many banks clearly have done their homework, their tendency to rush ahead and create problems for themselves is well documented.

"Don't forget that this is not a brand new business with rising profits. It's a mature business with thin spreads," says a US banker who believes many banks are in for some unpleasant surprises (though his own bank expects the major portion of new profits to come from investment banking by 1990).

Some bankers' motives for entering these riskier markets do not bear particularly close examination in spite of the enormous costs they are shouldering to get established. Privately many agree that the need to match the competition is crucial. But "you're damned if you do; you're damned if you don't," says a New York banker.

Fortunately, all these changes are taking place against a background of buoyant markets and economic optimism. But that has only made some officials worry about what happens when the inevitable downturn comes and hits the banks through their much enlarged exposure to the securities markets—or all their commitments to lend money to corporations through the new-fangled Note Issuance Facilities (NIFs) materialise in a rush.

Mr Corrigan of the Fed notes that the volume of corporate debt is much higher than usual for this stage of the economic cycle (partly because of all the debt-financed buy-outs that have been going on), so there is a relatively smaller cushion of equity to absorb any shocks.

Ideally, the globalisation of the banking markets should be accompanied by a parallel globalisation of banking supervision. The task of bringing this about has fallen to Mr Peter Cooke, the associate director of the Bank of England, who is chairman of the Basle committee of international bank supervisors. He wants a system, he says, "which can cope with the ebbs and flows."

Last month his committee took its first big step with a detailed paper pointing up the risks behind one of the phenomena of the new global market: the rapid growth of off-balance sheet business. Although the document fell short of proposing international regulatory standards, it was the first time supervisors from the leading banking countries had launched such a co-ordinated initiative.

Supervisors must also keep up with banks as they become altered creatures with one foot in the securities markets. "Banking has lost its simple coherence," says Mr Cooke. This is even true in Japan, where the division between banking and securities is rigidly enforced, but seepage between the two is nevertheless happening. Mr Shijuro Ogata, Deputy Governor of the Bank of Japan for International Relations, says: "The trend towards securitisation makes the old-fashioned type of supervision obsolete. We have to take a broad new look at supervision. There is more need to co-operate with other regulatory bodies."

But bank supervisors' ability to command prudence is limited. For one thing, the banking market is now so innovative that it can elude the letter of the law with ease—and increasingly the spirit as well, a trend deplored by Mr Robin Leigh-Pemberton, the Governor of the Bank of England last year.

For another, until banking regulations on matters like capital requirements which affect the cost of doing business are harmonised for all countries, banks will tend to migrate to the cheapest centres.

With the tide of deregulation now running so strongly, bankers are bound to fight any attempt by the authorities to re-regulate their business, particularly in the US and Japan where they are hoping that these developments will have precisely the opposite effect.

Supervisors are also wary of doing anything that might put banks at any disadvantage to the non-banks who operate in the same markets, or even drive them to hand in their banking licences altogether to escape controls. S. G. Warburg, for example, could liquidate its banking business in a year and become a securities house like Salomon or Goldman Sachs (it denies any such plan, however).

As lenders of last resort, officials face the embarrassing prospect of having to bail out a bank because it took a flier in the markets and could not contain the damage in its securities trading subsidiary. The task is enormously complex, and some supervisors are disinclined to meddle too much in professional markets.

Until the day, which must still be years away if it comes at all, when there is supra-national regulation, supervisors will have to rely on sharp eyes and moral persuasion: monitoring of banks' exposure to new types of risk, encouraging them to maintain strong capital foundations, and ensuring that their management and control systems are sound. There is even a case for saying that officials should keep bankers in a perpetual state of suspense about their intentions, rather than lay down a rule which merely becomes a challenge to inventive minds.

The changing role of banks is affecting central bankers' responsibilities for monetary policy in a different way.

As they become more involved in financing customers by finding investors to buy their securities rather than by advancing them loans, the banks' usefulness as transmission belts for monetary policy has slackened. Less of the money supply ends up in banks, so it becomes less easy to control. This also makes it harder for central banks to regulate the flow of credit.

Mr Lamfalussy says this "sounds the knell" for monetary policies based on quantity measures like the money supply (though he does not expect it to be abandoned altogether). Instead, authorities will have to rely more on controlling the cost rather than the quantity of money of the system, reinforcing a shift that has already taken place in many countries.

The banks' much enlarged exposure to rate-sensitive securities markets could, however, inhibit monetary policy by making sharp increases in interest rates rather risky, however necessary they may be for wider economic reasons. The globalisation of the markets has also limited the authorities' room for manoeuvre in another way: by making it virtually impossible for any government to re-impose effective capital or foreign exchange controls.

By the same token, though, these trends are making individual countries much more sensitive to each other's actions on the monetary front. This is even to some extent true in the US, usually the source rather than the recipient of international shock waves. The newly released annual report of the New York Fed contains these epic words: "The prospect of having an independent national financial policy—of allowing a national financial system to evolve along lines compatible with the cultural and historic traditions of a country, once a desirable and practical goal for public policy — is rapidly fading."

Markets always lead their regulators. And the official world is doing its best to keep up with the global bankers. But the gap seems to be growing, judging by the slight note of helplessness that creeps into most officials' analysis of the task before them. Closer international co-ordination of supervision and economic policies will obviously help, and it is happening. But until jelly gells, it tends to wobble.

This is the final article in a series. Previous articles appeared on April 2, 7, 9 and 11.

Letter from Bonn

A capital without a cenotaph

By Rupert Cornwell

JUST how should West Germany remember its war dead? Less than a year after the controversy and anguish aroused by President Reagan's visit to the military cemetery at Bitburg, the issue has returned to haunt and divide the country's politicians.

It is now nearly 41 years since the last German soldier died in battle: yet the modern federal republic, virtually alone of European nations, has no cenotaph, no central monument where the millions who lost their lives in two world wars can be commemorated. Every effort to fill the gap has foundered on the problems of Germany's recent history.

Today the official visitor to the capital of West Germany must make an unobtrusive trip to an unprepossing northern suburb of Bonn in order to lay his obligatory wreath. There, in a cemetery opposite a supermarket on the old road to Cologne, is the present memorial, an austere blackened bronze plaque with a simple metal cross behind it, dedicated to "the victims of war and tyranny."

Like Helmut Schmidt before him, Chancellor Helmut Kohl, with the backing in principle of all parties except the Greens, thinks his country should have something more imposing. There, however, the agreement ends. For the arguments, delving deep into the treacherous waters of German identity and German guilt, raise the questions of not just how to remember, but who to remember, and why.

Mr Kohl himself, aged only 15 at war's end, often talks of "the mercy of a late birth." He does not hide his belief that it is time to put the past aside, and allow Germans to honour, as do other nations, their countrymen who fell victim—whether in battle, or as refugees, civilians, or prisoners of war.

Broadly the parties of his centre-right government feel the same, as does most emphatically the 400,000 - strong National League for the Care of German War Graves around the world, which has submitted a plan for a grandiose national monument in a park by the Rhine, close to the chancellery and the present Bundestag buildings.

Were that matters were so simple, though. This week the affair was due to be examined in parliament. Every sign now is that it has been quietly shelved, amid the failure of the ruling Christian Democrat/Christian Socialist alliance and the opposition Social Democrats (SPD) to come up with an agreed motion for debate, that would have smoothly ridden out protests from the Greens, opposed to a memorial of any kind.

Ironically, the proximate cause for the trouble has been the event which was supposed, more than any other, to have helped exorcise the past: the moving address by President Richard von Weizsecker on May 8 1985, to mark the 40th anniversary of German surrender.

The idea was that a memorial should draw explicit inspiration from that speech, and its unflinching mention of all victims: not only the 9m German soldiers, civilians and expellees from the lost Eastern territories who perished, but also the Poles, Russians, Jews, Gypsies and other who lost their lives because of Hitler.

Subtly but effectively, however, this was resisted by the right-wing of Mr Kohl's party.

It was not simply the unedifying prospect of three separate motions and an unseemly, painful argument on the floor of the Bundestag, which counselled caution. The dispute over the wording masks far greater dilemmas.

For were not the German soldiers who died as much perpetrators, as victims of the miseries of the last war? And, many—not just on the Left—fear instinctively the sort of nationalism that the underlying preference of the Right for a specifically "German" memorial might be said to betray.

Nor are the Greens alone in maintaining that the best way of commemorating is to draw on the lessons of history, and act—for example in opposing nuclear weapons—to make sure that war does not happen again.

Plainly there is no easy way out of the dilemma, and nobody is keen to prolong the dispute with a general election little more than nine months away. For that reason, it will probably be some while before interested architects are asked to tender proposals—and world leaders who come to Bonn will be paying their fleeting visits up the old road to Cologne for many years yet.

The Queen's Awards

FOR EXPORTS AND TECHNOLOGY

1986

Plaudits for bankers, builders and the Bard of Avon's players

BY JAMES McDONALD

THE QUEEN celebrates her 60th birthday today by making a record number of awards to British companies for export achievements.

Pepper mills and rolling mills, high-performance cars, electronics and merchant banking services all feature in the awards. There seems no end to the range of British exports.

The export awards total this year is 114, compared with 90 in 1985. Applications for awards also increased, totalling 1,015 for export awards, compared with 789 last year. The peak number was 1,601 in 1978.

In merchant banking, Morgan Grenfell and Co repeats an award won in 1982. It has clients in many countries and such bodies as the World Bank and the European Community.

In engineering, Davy McKee (Poole), part of the Davy Corporation, has pulled off a double with awards for export and technology. Another Davy Corporation subsidiary, Davy Forge, a small Hartlepool company, wins an award. It makes ferrous and non-ferrous forgings.

In electronics, AMS Industries gains an award. A relatively small company based at Burnley, Lancashire, it designs and makes digital audio-processing systems, based on microprocessors, for professional use in broadcasting and recording studios.

In heavy engineering, Babcock Power, producing steam plant and associated equipment for the power and process industries, wins an award.

So does Bovis International, part of the P & O group and the international arm of Bovis. Its foreign earnings come mainly from management contracting and construction management. Recent contracts include the Riyadh International Sports Stadium in Saudi Arabia.

The Army Weapons Division of British Aerospace wins an award. As manufacturer of tactical guided weapons systems, with high-technology industrial products, its exports go to an extensive range of overseas markets.

Two more awards are given to British Aerospace. The **Hatfield unit of the Civil Aircraft Division** produces the BAe 146 feeder jet airliner, designed mainly for overseas markets. North America is the main sales area.

The **Prestwick unit of the Civil Aircraft Division of British Aerospace**, already with an export award from last year, gains another for its exports of commuter and corporate versions of the Jetstream 31 aircraft. Many of these go to North America.

Jaguar Cars claims to be Britain's biggest dollar earner in the US and wins this year its third consecutive award. Of the company's output, 78 per cent goes abroad and more than half of these exports go to the US. A second and growing market is continental western Europe, with West Germany the most important area.

Drink in one form or another is never absent from the awards list. This year **Guinness Exports** wins recognition for sales abroad of bottled and canned Guinness, and of Harp Lager.

Lipton Export wins an award for its tea exports. More than 90 per cent of the company's exports are in teabags, with flavours adapted to various ethnic tastes.

Northern Ireland distilling enters the list with the **Old Bushmills Distillery** in County Antrim winning an award for exports to 106 countries—mainly in North America and the Far East as well as on the Continent.

Two companies in the Racal Electronics Group wins awards — **Racal Communications Systems** and **Racal Safety**. **Plessey Semiconductors**, part of the Plessey Group and producing silicon integrated circuits.

Leisure and pleasure industries' successes include an award to the **Royal Shakespeare Theatre**, Stratford-upon-Avon. Apart from bringing many foreign visitors to Britain and indirectly contributing to foreign earnings, the company has made successful tours abroad.

Hamish Cathie Travel Scotland, a small company of tour operators, designs programmes for buyers of incentive travel.

The House of Hardy, known to elderly anglers as Hardy of Alnwick, gains an award for its exports of high-quality game fishing tackle — including rods, reels, spools and accessories. The company, part of the Harris and Sheldon Group, has 22 important overseas markets.

HTV, the independent television programme contractor for Wales and part of the west of England wins an award for exports of feature films and film series. The company's main overseas market is the US.

Kodak, part of Eastman Kodak Company of the US, receives another award. Its last was in 1982. Exports from the British company go mainly to Western Europe but the organisation is expanding into Eastern Europe.

British subsidiaries of Mars, of the US have often appeared in the awards list. This year, **Thomas's Division of Mars GB**, enters with its pet foods and accessories exported to about 40 countries.

Among clothing manufacturers, **Burberrys**, a member of the Great Universal Stores group and known for its quality raincoats, is a winner. Another is **Smith and Telford, of Hawick**, maker of cashmere and lambswool knitwear. It is a small company, established in 1980, but has outlets in the US, Japan, Sweden, France, Germany, Canada and Bermuda.

In the consultancy field, **Yard**, of Glasgow (a subsidiary of Yarrow) wins an award for export of engineering knowhow. It specialises in marine engineering, naval architecture and systems engineering.

In publishing, awards go to **Harvester Press Microform Publications**, at Brighton, and to **Euromoney Publications**, part of Associated Newspapers Holdings.

Agriculture and the livestock industry receive awards. **Produce Studies**, claiming to be the largest marketing consultancy and research company in Europe that specialises in agriculture and horticulture, is a winner.

Greenfields Exports, of Droitwich in Worcestershire, was set up in 1980 by three farmers to export pedigree breeding livestock, Friesian beef and dairy cattle, and ovine and bovine semen.

In the safety field, an award goes to the **flame-retardant unit of Albright and Wilson**. It markets chemicals used mainly for the treatment of textiles under the Proban system. It licences the technology for the system and supplies the chemicals and equipment to apply it.

AWARDS FOR EXPORT ACHIEVEMENTS

A B Microelectronics	Electronic components
A M S Industries	Computer based audio processors
AVX	Multi layer ceramic and chip capacitors
Adtrack	Advertising monitoring
Flame Retardants Business of Albright and Wilson	Flame retardant chemicals
Amek Systems and Controls	Audio mixing consoles
Anmed (Importers and Exporters)	Timber furniture and furnishings
Asprey	Jewellery and leather goods
Babcock Power	Steam power plants
Biscuit Division of Baker Perkins BCS	Biscuit production equipment
Baker Perkins PMC	Printing machinery
Machinery Division of Barwell Machine and Rubber Group	Rubber processing machinery
Beacon Publications	Publishers
BIB Audio/Video Products	Audio and video products
Bloomer Electronics	Electronic sub-assemblies
Edwards High Vacuum Division of the BOC Group plc	Vacuum pumps
Bonded Laminates	Wood veneer and laminates
Bovis International	Construction and civil engineering
Brico Engineering	Automotive engine components
Army Weapons Division of British Aerospace	Guided weapons systems
Hatfield Unit of the Civil Aircraft Division of British Aerospace	Civil aircraft
Prestwick Unit of the Civil Aircraft Division of British Aerospace	Civil and military training aircraft
British Hartford-Fairmont	Glass container making equipment
Manufacturing and Export Division of Burberry's	Clothing
Caledonian Airmotive	Refurbishment of aviation engines
Hamish Cathie Travel Scotland	Tour operators
Celltech	R&D of biological processes
Carlum Chemical Co	Abrasives and compounds
Chemical Services and Distribution	Herbicides
Cole and Mason	Tableware and kitchen accessories
Coopers (Swindon)	Recycled scrap metal
Cosworth Engineering	Racing car engines
Crosfield Electronics	Printing industry electronic equipment
DRG Transcript Division of DRG UK	Carbonless copy paper
Davy Forge	Forgings
Davy McKee (Poole)	Rolling mills and process lines
Decorpart	Aluminium pressings
Drake and Scull Holdings	Electrical and mechanical engineers
Dulmison (UK)	Transmission line fittings
Edwards of Enfield	Automatic handling equipment
Euromoney Publications	Publishers
Fairline Boats	Motor boats
Fenner International	Conveyor belting products
Fibre Technology	Stainless steel fibres
Floform	Extruded metal components
Fort Vale Engineering	Container tank equipment
Fortronic	Computer terminals
Giltspur Precision Industries trading as Allbook and Hashfield	Industrial sewing machines
Glen Cree	Blankets and rugs
Greenfields Exports	Livestock and bovine semen
Guinness Exports	Brewing products and equipment
HTV	Films and other programmes
Bindery Systems Division of Harris Graphics	Bookbinding equipment
Harvester Press Microform Publications	Microfilms and microfiches
Hayward and Green	Aircraft navigation aids
Henri-Lloyd	Clothing
Hodge Separators	Oily water separators
House of Hardy	Fishing tackle
William Hoyland & Co	Umbrella frames
Hysol Grafil	Carbon fibre
IAD (UK)	Design and tooling engineers
IBM United Kingdom Holdings	Information handling equipment
Ipeco Europe Ltd	Aircraft crewseats
Islegrove	Furniture, furnishings, and mosaics
Jaguar Cars	Cars
Rare Earth Products Division of Johnson Matthey Chemicals	Rare earth compounds
Klark-Teknik	Audio equipment
Kodak	Photographic materials
J B & S Lees	Steel strip
Lingard Industrial Holdings	Hospital equipment
Lipton Export	Tea
London and Scandinavian Metallurgical Co	Non-ferrous metals
Kenneth Mackenzie Holdings	Harris Tweed
Thomas's Division of Mars GB	Petfoods and accessories
Martin-Baker Aircraft Co	Aircraft ejection seats
Massey Ferguson (United Kingdom)	Tractors
Monotype International Division of the Monotype Corporation	Typesetting equipment
Morgan Grenfell and Co	Merchant bankers
Mount Charlotte Investments	Hotel and restaurant services
National Video Corporation	TV and video films
The "Old Bushmills" Distillery Co	Irish Whiskey
Oxford Analytical Instruments	Analytical instruments
Park Air Electronics (1985)	Communication equipment
Pinneys of Scotland	Smoked salmon
Platarg Engineering	Metal forming transfer presses
Plessey Semiconductors	Silicon integrated circuits
Produce Studies	Agricultural market research
Racal Communications Systems	Communications equipment
Racal Safety	Industrial safety products
Richardson Sheffield	Kitchen knives and blades
Ridgways Tea and Coffee Merchants, a Division of Tate and Lyle Industries	Tea
Rieter-Scragg	Textile machinery
Royal Shakespeare Theatre	Theatre productions
J L Shaw (Halifax) trading as Shaw Moisture Meters	Moisture meters
Sherman Treaters	Film treating equipment
Aircraft Division of Short Brothers	Aircraft
Silberline	Aluminium pigments
Smith and Telford	Cashmere and lambswool knitwear
Southern Ocean Shipyard	Ocean going yachts
Sterling Freight Services trading as Sterling Gulf Services	Airfreight forwarders
TI Desford Tubes	Seamless steel tubes
Tenza Tapes	Plastic products
Bridgeport Machines Division of Textron	Machine tools
Thor Ceramics	Engineering ceramics
Turbine Services	Servicing of engine components
VG Analytical	Scientific instruments
Hiram Walker and Sons (Scotland)	Scotch Whisky
Whitby Fish Processors	Frozen white fish
George M Whiley	Hot press stamping foils
Woodgate Automotive	Automotive filters
Xenotron Holdings	Video composition equipment
Yard	Marine engineering services
Young Austen and Young (International)	Building services engineers
Yuasa Battery (UK)	Lead acid batteries

Her Majesty the Queen on her 60th birthday, has made 114 awards to British companies for export achievement this year and 27 for technological achievement.

Oral antibiotic system and Giotto spacecraft given recognition

BY DAVID FISHLOCK, SCIENCE EDITOR

AN ORAL antibiotic system which beats the problem of bacterial resistance to antibiotics has earned one of 27 Queen's Awards for technological achievement this year.

The research division of Beecham Pharmaceuticals gains its prize—its fifth Queen's Award—for its discovery of potassium clavulanate, a chemical produced by a mould, which inactivates beta-lactamase, the enzyme responsible for destroying the antibacterial powers of penicillin.

Beecham scientists developed the biotechnology for mass-producing potassium clavulanate, and for blending it with the company's semi-synthetic penicillins to produce powerful new broad-spectrum antibiotics such as Augmentin, and its sister products Timentin (for life-threatening infections) and Synulox (for veterinary surgeons).

The company is investing £40m in a new plant at Irvine in Scotland — its biggest current investment — to make potassium clavulanate.

Wellcome Research Laboratories have won their second technology award for a new drug, sharing it this time with Strathclyde University for the discovery of Tracium, a muscle relaxant used to prepare patients for surgery.

Scientists at the Darmstadt space centre hung a "do not panic" sign for the re-assurance of visitors watching the celebrated encounter of the award-winning Giotto spacecraft with Halley's comet last month.

Giotto earned its prize for the space and communications division of British Aerospace, as designers and main contractors for the research satellite for the European Space Agency. It penetrated to within 500km of the comet — much closer than any of four other spacecraft investigating the comet — before being blasted to death by the dust.

Production of Augmentin tablets at Beecham's Worthing factory

Gloria, a unique sidescan sonar for seabed surveillance at long ranges of several kilometres, has won the award for the Institute of Oceanographic Sciences, a government laboratory under the aegis of the Natural Environment Research Council.

The US Geological Survey has hired Gloria to help produce the equivalent of ordnance survey maps for 3.5m square miles of US territorial seabed over the next five years. It produces contour maps of the ocean bed, similar to radar maps of the ground made by space surveillance. Gloria is a very cheap way of getting a preliminary look. "It doesn't tell us the answers — it just shows us the possibilities," one scientist says.

Awards for manufacturing technology go to Black and Decker for a unique way of assembling the series-wound motors in some of its power tools; and to the engineering research and development division of Metal Box for "spin-necking," a more economic and efficient way of forming the neck of beverage cans.

The Cosworth process for casting aluminium alloys for engine parts such as cylinder heads, avoiding problems with alloy integrity which normally beset high-volume production, has earned a technology award for Cosworth Research and Development, of Worcester, in the same year as its parent Cosworth Engineering wins an export award. The Cosworth process permits design of high-performance and fuel-efficient engines, requiring thin-wall sections and commensurately close tolerances.

Ruston Gas Turbines, the GEC subsidiary, adds a technology award to that of 1982 for exports, for innovation in making its Tornado turbine, including the use of computer-aided manufacture and assembly.

Marconi Radar Systems, another GEC company, has won it for Martello, its highly portable 3-D radar for air defence.

Three companies — Vickers (as inventors), Brown and Root UK (as contractors) and Conoco (as users)—share the award for the novel tension leg concept for anchoring a floating oil platform, used by the Hutton Field, where Conoco is lead operator, since 1984.

The tension leg platform was conceived for seabed depths normally beyond reach of a rigid offshore structure. The floating platform is anchored to tubular steel legs set in templates in the sea bed. Vickers' design of anchor connectors is a key feature.

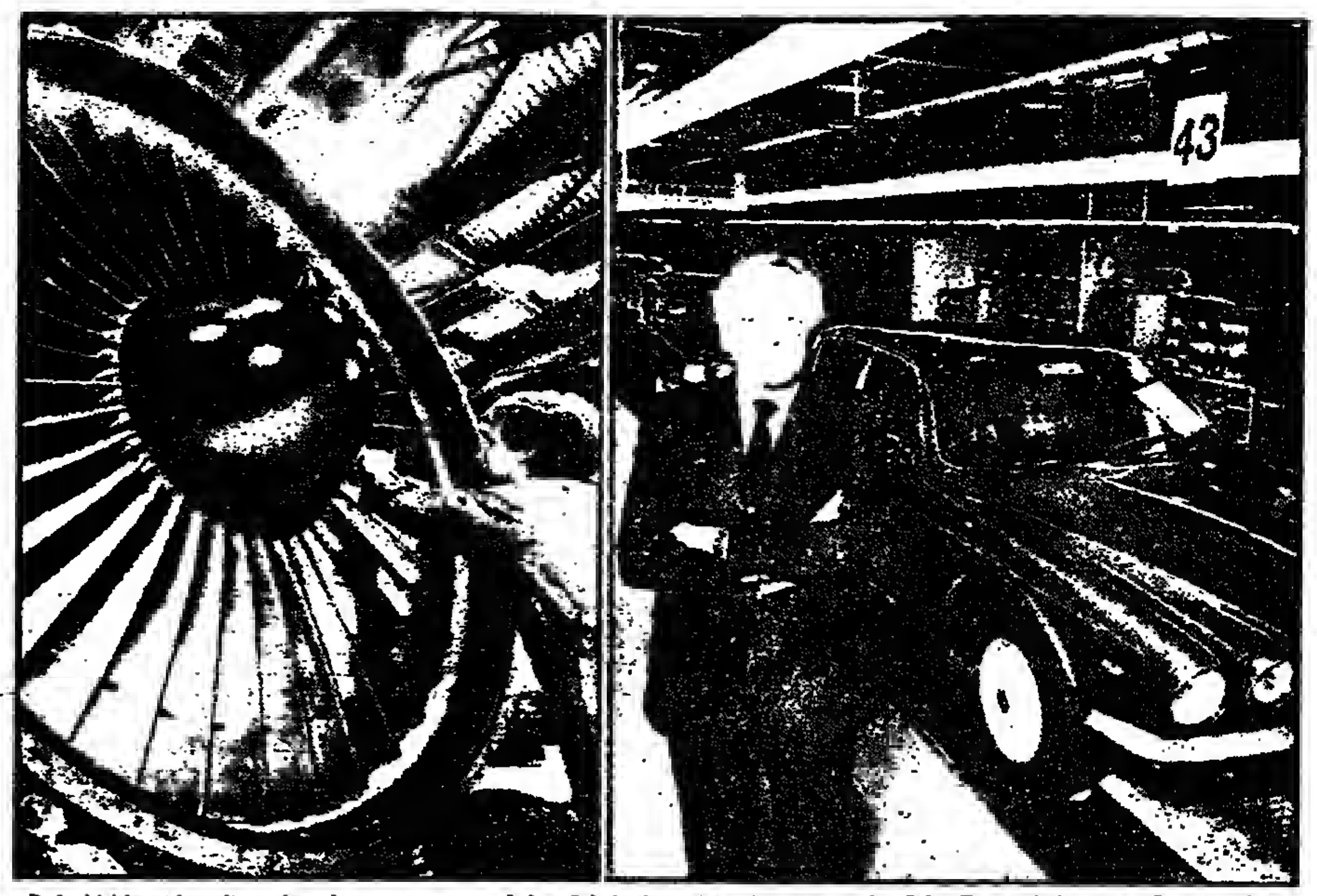
Bernard McCartney of Stockport, Cheshire, smallest of the recipients this year with only six employees, wins it for his invention of a design of a steel wheel that minces refuse faster and more finely, for disposal in landfill sites. Four austenitic steel wheels with double-helical faces, screwing in opposite directions, reduce refuse to a fine tilth.

An advanced material has won an award for Lucas Aerospace, whose electric actuator group has pioneered the use of cobalt-samarium alloys as exceptionally strong permanent magnets in defence and aerospace systems, some of which are bought by the Pentagon. Another advanced material has earned the award for both the space department of the Royal Aircraft Establishment and Pilkington's space technology department. This is a lightweight glass used to shield solar cells on spacecraft.

York Technology, 90-strong, at Chandler's Ford, Hants, has won it for automating inspection of optical fibre, in an instrument it claims can be placed in the hands of a "relatively unskilled operator." This instrument automatically aligns the test fibre with its own light source—usually a laser—then runs through a sequence of tests to characterise the fibre in about 30 minutes.

Finally, we have ZED Instruments of West Molesey, Surrey, whose minuscule team of only 30 earned the award for its high-precision control of tunnelling machinery through electro-optic technology "entirely of our own development," says Dr Peter Zollman, managing director. It continuously corrects for any deviation between the machine and a predetermined path, in 3-D.

ZED's instruments, 85 per cent exported, can be found in Geneva, where it is helping to bore a new circular tunnel for physicists; in Frankfurt, Lyon and Singapore, helping to excavate new metros; and in collieries in Britain and West Germany.



Refurbishing aircraft engines has won an award for Caledonian Airmotives and right, John Egan, chairman of Jaguar, whose company has made important strides on the export road

AWARDS FOR TECHNOLOGICAL ACHIEVEMENT

The Beecham Pharmaceuticals Research Division of The Beecham Group	Antibiotics development
Black & Decker	Automatic motor assembly
The Space & Communications Division of British Aerospace	Giotto spacecraft
Brown & Root (UK)	Oil industry design
Conoco (UK)	Oil production platform
Cosworth Research and Development	Alloy castings process
Davy McKee (Poole)	Control system
The Space Department of the Royal Aircraft Establishment, Ministry of Defence	Solar cell coverglasses —
ECS Energy Conservation Systems	Automatic lighting control
Information Technology Group	Computers
Link Systems	X-ray spectrometers
The Electric Actuator Group of Lucas Aerospace	Aerospace/defence systems
Marconi Radar Systems	Surveillance radar systems
Bernard McCartney	Compactor wheels/conversion kits
The Metal Box Engineering, Research & Development Divisions of Metal Box	Can-making equipment
Institute of Oceanographic Sciences	Geological instruments
Offshore Marine Engineering	Diving equipment
Petrocon Gell Thomson	Undersea pipeline equipment
The Space Technology Department of Pilkington PE	Solar cell coverglasses
Polymer Laboratories	Thermal analysers
Ruston Gas Turbines	Gas turbines
Sercied International	Mill inspection system
Department of Pharmacy of The University of Strathclyde	Drug development
The Design and Projects Division of Vickers	Oil production equipment
The Wellcome Research Laboratories of The Wellcome Foundation	Drug development
York Technology	Optical fibre measurement
ZED Instruments	Tunnel construction system

APPOINTMENTS

Chairman for British Property Federation

The General Council of the BRITISH PROPERTY FEDERATION has elected Mr John Brown, managing director of Peachey Property Corporation, as the next BPF President. He will succeed Mr Harry Axton on May 22. Also elected were Mr Geoffrey Carter, deputy chairman of Trafalgar House Property, as vice president, and Mr Kenneth Rubens, chairman of Property & Reversionary Investments, as honorary treasurer.

*

Mr John Ewan has joined SPACE PLANNING SERVICES as finance director. He was formerly finance director at publishers Middle East Economic Digest and before that director of finance and administration at Coca-Cola Southern Bottlers.

*

WILLIAM DAWSON (HOLDINGS) announce the appointment of Mr Bryan Ingleby as group technical director. Mr Ingleby remains computing services director of Wm Dawson & Sons, director of McGregor Subscription Service Inc, and managing director of Serials Management Services.

*

Mr Derek Wolstenholme becomes senior partner and chairman of FREEMAN FOX (HOLDINGS) from May 1 on the retirement of Mr Jack Edwards. He is joined by two new executive directors from within the firm, Mr Jerry Gurney and Mr Keith Simms, and by Mr Eric Bridgen (chief executive and managing director of International Military Services) as a non-executive director. Sir Trevor Hughes (formerly Permanent Secretary, Welsh Office and vice-president, Institution of Civil Engineers) becomes a consultant.

*

PAINT RESEARCH ASSOCIATION announce the appointment of Mr John Bernie as managing director. For the past three years he has been head of the National Corrosion Service with responsibility for maintaining this Government advisory service to industry and for the development of major collaborative research programmes.

*

Sir Leslie Young, chairman of the British Waterways board and a director of the Bank of England, has been appointed a director of NATIONAL WESTMINSTER BANK and chairman of its north regional board, both from May 1. He is also a director of Pioneer Mutual Insurance Co and was recently appointed chairman of the trustees responsible for national museums and galleries on Merseyside. Mr John Leighton-Boyce retires as chairman of NatWest's north regional board, but remains a director on the main board.

Changes at Brown Shipley Holdings

At BROWN SHIPLEY HOLDINGS Mr Peter Thurbin has decided to take early retirement. He will be retiring as a director of the company and its subsidiaries on April 30. Mr R. M. Mansell-Jones, a joint managing director of Brown, Shipley and Co, will succeed him as deputy chairman. Mr Geoffrey Bell will be appointed a joint managing director of the bank and will also join the board of Brown Shipley Holdings.

*

GOAL PETROLEUM has appointed Mr Kenneth Gould and Mr Jack Spinks non-executive directors. Dr Richard Stabbins has been made an associate director.

*

Mr Christopher R. Sibson, head of Secretariat at the European Investment Bank in Luxembourg, will join the INTERNATIONAL PRIMARY MARKET ASSOCIATION as secretary-general in July.

*

Mr Ian Hopkins has been appointed a director of BARING BROTHERS & CO. He was a director of Charterhouse Japhet. Mr Nicholas R. Gold has been appointed an assistant director.

*

Mr Peter Bassnett, formerly executive director — field operations with Abbey Life, has been appointed agency director of AETNA LIFE.

*

Mr Alan Beswick has been appointed managing director of UNIQUEAIR, the mobile communications subsidiary of Unipart Group. He was purchasing director and commercial director at Unipart.

Celltech commercial director

CELLTECH and BOOTS-CELLTECH DIAGNOSTICS have further strengthened their senior management. Mr David Gration has been appointed commercial director of Celltech. He joined the company in 1982 and was the founder chief executive of its 50/50 joint venture with The Boots Company, Boots-Celltech Diagnostics. In 1983 Mr Gration was appointed to the board of Celltech. He now returns full-time to Celltech, but retains his connection with Boots-Celltech as a board member and will shortly become non-executive chairman. His successor as chief executive of Boots-Celltech is Mr Clive Hallam, formerly managing director of American Hospital Supply (UK).

*

Sir Michael Butler has been appointed a director of HAMBROS BANK in an executive vote and has joined the board of HAMBROS Plc. Previously Sir Michael was British Permanent Representative to the European Community in Brussels, where one of his main tasks was to advise the Government in the long and ultimately successful budget negotiations.

*

CANNON STREET INVESTMENTS has announced two head office appointments: Mr Stephen Cutler, joins from auditors Ernst & Whinney to become company secretary and group treasurer; Mr Gordon Carruth, joins from Cannon Street subsidiary Gift Hampers, where he is currently financial controller, to become group financial controller.

*

Dr Philip Forshaw has become sales and marketing director of SIMON-CARVES, the process plant contracting subsidiary of Simon Engineering. He joined Simon-Carves in 1984 as business development director and also sits on the board of Simon-Macawber.

*

LEE VALLEY WATER COMPANY has appointed Mr Peter Darby as financial controller. Mr Darby has been the company's revenne manager since 1984, responsible for running the billing operation for its 400,000 customers.

*

SOLAGLAS announce the appointments of Mr Peter Kaye and Mr John Mason to its main board. Mr Kaye joins as managing director, home improvements division, from Roomsets, a division within the BET Group. Mr Mason has joined the main board as Managing Director, automotive division from Solaglas' specialist windscreen fixing business, Antoglass Windshields.

*

Mr Graham Picken, director, operations of Forward Trust Group, has been appointed to the board of FIAT FINANCE, replacing Mr Geoffrey Wilkinson who has retired.

*

A. & M. GROUP has appointed Mr Colin Millward a non-executive director. Mr Millward was a co-founder in 1960 of the advertising agency Collett Dickenson Pearce and Partners.

*

THE LESSER GROUP has appointed Mr John H. Key managing director of Lesser Building Systems. From 1983 he has been employed by Delta as managing director of Sperryn.

*

A. QUILIGOTTI & CO has appointed Mr David Jackson group financial director.

*

NORTH ATLANTIC SECURITIES CORPORATION has appointed Mr T. S. B. Philpot to the board.

*

Mr Graham McDonald (general manager) and Mr Robert Hinsliff (company secretary) have been appointed directors of NATIONAL HOLIDAYS by the parent National Bus Co.

*

Mr Kenneth Sinclair has been appointed a deputy chairman designate of BARCLAYS DE ZOETE WEDD. He is currently a managing partner of stockbrokers de Zoete & Bevan.

*

Mr Chull-Hoon Jang, general manager of CHO HUNG BANK, London branch, is leaving soon to become general manager, international division at head office. Mr Tai Mok Kwon, general manager of one of Seoul branches who served in London branch three years ago as deputy general manager will succeed Mr Chull-Hoon Jang as general manager of the London branch.

IBA director of engineering

Dr J. R. Forrest has been appointed to succeed Mr Tom Robson, as director of engineering, INDEPENDENT BROADCASTING AUTHORITY, from August 1986. Dr Forrest left academic life in 1984 to join Marconi Defence Systems, as technical director.

*

THE MONEY MANAGEMENT COUNCIL, the new education and information resource centre for personal finance management, has appointed Mr Jeremy Leighton as its first director. Mr Leighton was previously with the Institute of Directors, where he was responsible for all liaison between the IOD in London and the branches in the UK and overseas.

THE ARTS

Off-Broadway opera

Andrew Porter

New York has many little opera companies, each pursuing its independent existence, putting on a few shows each season. The parallel with the busy off-Broadway theatre scene is not exact, for although new operas do get done from time to time, most of the operatic activity is concerned with exploring repertory of the past untouched by the Met and the City Opera.

Bel Canto is one of the leaders. It plays in the Joan of Arc Junior High School auditorium, on West 93rd Street. It brought me my first encounters with "*Esclarmonde*," with Franchetti's "*Germania*," with several Victor Herbert operettas. This season "by popular request," it revived Rutland Boughton's "*The Immortal Hour*," produced by Frank Corsaro. The latest production was a Massenet double bill, "*Le Portrait de Manon*" and "*Thérèse*."

Le Portrait — a romance between des Grieux's ward and Manon's niece — is a slight, pretty curtain-raiser. *Thérèse*, a slimmer Andrea Chenier, is an "effective" opera — like "*Sappho*" and "*La Navarraise*" — a play sung to music rather than a fully lyrical creation like "*Manon*" or "*Werther*." The productions — with Tamara Mitchel a dramatic Thérèse — were good enough to "reveal" the works. Monivsko's "*Haunted Manor*" comes next.

The Chamber Opera Theatre of New York plays in one of the city's best opera houses, the Marymount Manhattan Theatre, on East 71st Street, which is like a miniature Beyreuth. Beni Montresor is the company's resident designer; the productions look shiny, smart and elegant. (So does the audience). But they often lack the spirit that brings the best of Bel Canto's shoestring shows to life. Dargomyzhsky's "*The Stone Guest*" —a piece famous in music history but seldom performed—was done with care.

Montresor's sets were gleaming. A new English translation had been prepared by Thaddeus Motyga, director of the company and producer of its shows, and the Russian scholar Richard Taruskin. There was a full orchestra. But this setting, in continuous "melodic recitative" of Pushkin's Don Juan play proved as dull as I've always thought before. The singers went through their roles without bringing them to life.

The Opera Ensemble of New York plays in the Little Blake School auditorium in West 81st Street. What I've seen of its work has been unimpressive, dramatically flaccid. The latest production was of Donizetti's "*Le convenienze ed inconvenienze teatrali*," in William Ashbrook's translation as "*The Unconventional Rehearsal*."

The piece—in which the principal role is a baritone in drag playing a formidable Stage Mother—lends itself all too easily to low humours. The Ensemble avoided these; but Richard Slater's Mamm'Agata wasn't much fun either—simply a baritone in wig and skirt singing without much wit or comic accomplishment. The trap of thinking that inadequate singing is in itself funny was not avoided. The edition—Ashbrook's revised and not improved—hashed Donizetti's score to no good effect.

Strictly speaking, the Juilliard School and the Manhattan School are both *on* Broadway —the Juilliard at Lincoln Center, and the Manhattan in the Juilliard's former building, up at 122nd Street. Both school theatres seat about 1,000—the Juilliard's in a steep-raked horse-shoe shape; Manhattan's named for John Brownlee, in a less intimate rectangular Art-Déco box. The latest Juilliard production was of *Mireille*.

Bernard Lefort, once director of the Aix-en-Provence Festival (and then of the Paris Opéra) produced. Instead of instilling the feeling for Provence which gives Gounod's score such charm and freshness, he set a tall "Death Figure" stalking Mireille and Vincent through the action. (It began during the prelude, treated as accompaniment to a tableau vivant.) Jungwon Park and Ruben Broitman both sang rather well, but in a conventional, not a specifically stylish way. Anton Coppola's conducting lacked grace.

Many other little companies have not been mentioned. The Vineyard (whose *Gianni di Parigi* I praised earlier this year) is preparing *Una cosa rara*. Operaworks, which put on New York's first *Martyrdom of St Magnus* two years ago, is preparing to revive it.

Christodoulos Georgiades

Andrew Clements

Recently the Delmé Quartet introduced Malcolm Singer's Quartet for Strings, reviewed here appreciatively by Paul Driver. In the Purcell Room on Thursday the Greek Cypriot pianist Christodoulos Georgiades gave the first performance of Singer's Piano Sonata, and also included his set of miniatures, *For Young Ears Only*.

The collection was put together over several years, and completed in 1983. Taken together the pieces give a good idea of the scope of Singer's compositional technique, with its nods towards Ligeti and minimalism and penchant for jazzy syncopation, as well as of the clarity of his harmonic thinking. Each number is tiny and tightly self-contained; the musical image is conveyed with the minimum of fuss, cunningly calculated to tease and engage young minds. The piano writing itself is emphatically not designed for children but demands tight rhythmic control and crisp articulation.

The Piano Sonata uses the same musical means at considerably greater length. The slow second movement — carefully spaced chords across the full range of the keyboard—seemed the least striking, while the dark gruff opening of the sonata lingered in the mind. The pair of scherzos that follows suggests another influence: the syncopations and irrational groupings laced across a boogie bass conjure up Nancarrow's player-piano studies, filtered perhaps again through the Ligetian grid. The short elegiac epilogue is intended as a coda, but failed on this occasion to complement the faster music as convincingly as it is intended to do.

Georgiades played both works with bright tone and alert attention to detail, but his accounts of the pair of Schumann works that elegantly counterbalanced Singer were less convincing. The very late *Gesänge der Frühe* in particular needs much more vivid characterisation and tonal coloration if it is to seem anything other than a manifestation of a tragically undermined creative impulse.

Brian Rix appointment

Brian Rix has been appointed chairman of the Arts Council's advisory panel on drama. Mr Rix, who has over 30 years experience as an actor and theatre manager is at present the secretary-general of the Royal Society for Mentally Handicapped Children and Adults (Mencap).

The Circus, Bath—how safe are our historic towns?

Architecture/Colin Amery

Place of new buildings in historic towns

It is certainly refreshing to have an occupant of the chairman's seat at the Royal Fine Art Commission who is neither anxious about giving that body a higher profile nor remotely afraid of expressing his opinions. When he sallied forth into the city of Bath last Friday Mr Norman St. John Stevas (appointed at the end of last year as chairman of the RFAC), certainly had plenty of provocative and encouraging things to say.

He was opening a one-day seminar organised by the Georgian Group and the Bath Preservation Trust on the subject of *New Buildings in Historic Towns*. Referring to the damage many buildings of the 1960s and 1970s had done to the delicate fabric of older towns, Mr St. John Stevas described the architecture of that period as "brutal, barbaric, philistine and arrogant."

He felt strongly that the time had come for large scale demolition of these in appropriate structures. "We are not stuck with these hideous cancers and carbuncles any more," he said. Speaking in general about his visits to other historic towns around the country he felt that sometimes it was sensible to consider the option of *not* building anything. There are sites where there should be no more buildings—cities, he felt, could be likened to old houses. They grow slowly and then reach a point when they should grow no more.

In the concluding remarks of his address Mr St John Stevas pointed out that architecture was on the brink of a sea-change, things were about to improve, and he attributed this not so much to the profession but to the influence of public opinion.

The seminar itself was certainly dealing with what the chief architect and planner for Westminster described as "the most timely and important subject of the moment." By bringing together six experts, five of them architects and one top architectural historian, the Georgian Group and the Bath Preservation Trust demonstrated clearly that conservation is now about much more than preservation. Professor J. Mordaunt Crook pointed out that we now live in "post functionalist" times and that there is a new kind of architecture evolving that is not afraid to borrow elements from history or to be contextual.

The architects delivered a series of fascinating papers. Jeremy Dixon, Robert Adam, Terry Farrell, Quinlan Terry, and Leon Krier spanned the range of thought and achievement. None of them prescribed a total panacea, but the evidence of their work showed enormous grounds for optimism.

I was impressed by Jeremy Dixon's proposals for the extension of the Royal Opera House in Covent Garden and the wide range of schemes that Terry Farrell offers for a variety of sites. Quinlan Terry and Robert Adam both represent the Classical solution but only Terry claims it is the sole answer.

Planners came in for a predictable bashing, being described by one architect as "butchers." It emerged clearly that aesthetic interference by planners is usually disastrous. On the future of Bath, Leon Krier came straight to the point and argued for the improvement of the banks of the River Avon. A study should be carried out to make planned improvements on the scale of a latter day John Wood. One proposal in Bath is for the troubled Podium Site behind Pulteney Bridge. Demolition here is probably the best answer and there are convincing precedents.

In London two important small exhibitions demonstrate the vitality of the architectural/conservation movement. At the Building Centre there is a splendid opportunity to see some of the fruits of the collecting enthusiasm of Charles Brooking — a young man who has regularly rescued elements of buildings as they have been demolished.

The exhibition at the Building Centre, 26, Store Street, London WC1, concentrates on the history of the window. This is an important collection looking for a home.

At the Town Hall in Haverstock Hill, opposite Belsize Park station, is another impeccable example of the work of architectural enthusiasts. The exhibition, *Belsize Park, A Living Suburb*, has been organised by the Belsize Area Conservation Area Advisory committee. It has mounted a photographic analysis and history of the area that is a model, not only of local history, but of demonstrable care and concern for a remarkable district of London. It is one of the most sensitive and intelligent exhibitions I have seen on this subject.

At the head office of the Midland Bank in Poultry, EC2, is a well-researched exhibition to celebrate the bank's 150th anniversary. As the story of the growth of an important bank it is fascinating but it also offers a lot on the architectural front.

Opus 20/St. John's, Smith Square

Dominic Gill

On paper at least Thursday's concert at St John's, Smith Square, looked promising: a new string ensemble of 14 young players dedicated to the performance of the 20th-century répertoire with a programme of "contemporary and new American works." In practice, it was dire. Scott Stroman, the young American founder and director of Opus 20 (as the group is called), who currently teaches at the Guildhall School, had dredged up for his programme an early and entirely uncharacteristic *Elegy* by Elliott Carter together with three pieces by three other composers which will henceforth enjoy an obscurity as profound as it is deserved.

The most mind-bendingly tedious of the three was called *Earth Song*, and was by Mr Stroman himself—a shambling, formless, aimless apology for a composition all of 20 minutes long, scored for strings and solo soprano. According to our programme, Mr Stroman is also "widely known as a teacher/performer/composer of jazz": and it is clear from *Earth Song* that he should stick with something for which he is widely known.

Jan Bach used to teach Mr Stroman at Northern Illinois University, and his biographical note actually began with the words "like his famous namesake." *Dompes and Jompes* was written specially for Opus 20, and alternates decent, unadventurous polytonal early-Schoenbergian idiom, spiced with a few postwar stylistic splinters, with itsy-bitsy syncopated sizzle. Like your famous namesake, eh Mr Bach?

There are nine movements in Lou Harrison's *Suite for Symphonic Strings* (Harrison was a pupil of Schoenberg and Cowell), and one of them is rather nice — the second, subtitled "Et in Arcadia Ego," a little dream of hazily buzzing Ivesian peacefulness. The rest pass by without leaving anything behind at all, except an overwhelming sense of duration—the whole Suite lasts half an hour.

Verdi/Barbican Hall

Richard Fairman

No aura of sacred mystery here. This was apparently the first performance of Verdi's Requiem at the Barbican and the hall's clinical acoustics played their usual tricks. The opening incantation of the words "Requiem aeternam" should be as quiet as possible (Verdi's own instruction), but here it sounded clear and forward, as deadening an opening for this piece as one could imagine.

This was not the choir's fault. Of the groups that I have heard here, the London Choral Society at their concert on Saturday fared as well as any in trying to get a good blend of sound, though even then some individual voices stood out in quieter passages. It was fortunate that Jane Glover as conductor had managed to get such a good balance with the orchestra, the Royal Philharmonic, to help them through.

In the interpretation there was nothing unduly ladylike. Miss Glover pulls herself into some extraordinary contortions on the podium, but the music remains admirably straight: a thundering "Dies Irae," an electric "Tuba Mirum" and an unrushed "Sanctus." She let the intensity sag at times, but this was mostly sound Verdi from a conductor whose specialist interests to date have been elsewhere.

The soloists were less suited. The firm mezzo of Anne-Marie Owens came across most successfully. Teresa Cahill, the soprano, seemed to be pushed near to her limits, and neither the soft-grained tone of the young bass Peter Rose nor Bonaventura Bottone's tight, bright tenor is really what the piece needs. All four were musical, but Verdi wrote the Requiem for singers with grandeur and passion—an immeasurable difference.

Uchida's Mozart/Elizabeth Hall

David Murray

On Saturday at the Elizabeth Hall Mitsuko Uchida and the English Chamber Orchestra reached the third-last concert in their Mozart concerto series, and with it the latest and greatest of the C major concerti, K. 503. (The last seven concerti are being heard in successive concerts, leaving the "Coronation" Concerto and the other-worldly K. 595 still to come). Paired with it here was the gentle F major, K. 413; and without a conductor the ECO began the evening with a charmingly fresh performance of the B-flat Concerto Grosso from Handel's op. 3 set. The violins of José-Luis Garcia and Mary Eade provided lively rhythmic impetus, and in the Largo Neil Black's oboe was meltingly simple.

Not for the first time in this series, one suspected that Miss Uchida's views of the two concerti were—for this particular concert — coloured by each other, defined deliberately (if not necessarily consciously) by contrasts. The little F major sounded gentler than ever: sweet-tempered, plain, unemphatic. The tone was less intimate than amiably domestic. Lucid as always, Miss Uchida's piano sang quietly, receding gracefully when the orchestra had the principal voice. The triple-time pace of the outer movements was easy and fluent. No further personality was imposed upon the work—just enough sparkle to keep it aglow.

The magnificent C major Concerto was exciting, febrile, prickly. The trumpets-and-drums grandeur of the score was made ambiguous by continual frenetic push (Uchida tended, especially in the Andante, almost to run ahead of the music); when Mozart ended phrases with written short notes they were played just so, without expensive lingering. The incessant twists from major key to minor and back were sharply expressive and nervy. The piano tacked between a light, brazen *forte* and a trembling pianissimo. It was like hearing the music under brilliant strobe-lighting, a rather special experience; quick insights stood out in the glare, shadowed by expressive private worries at the elusive margins.

BBC Singers/St. John's

David Murray

Conducted by John Alldis, the BBC Singers on Friday sounded polished and confident in the friendly acoustic of St John's. Their programme was well-filled but concise, and for once the St John's concert-interval was decently short. Before and after it came a lengthy première and a shorter one, and the evening began and ended with Messiaen, two familiar Alldis party-pieces. Many more people found their way to Smith Square for this concert than is usual for events of this category, and were duly rewarded.

Messiaen's early *O sacrum convivium!* — mellifluous and insidious at once — floated beautifully in the hall. His *Cinq rechants*, earthier and more fiercely exuberant, were almost too smoothly expert — one missed some of their hoarse thrust, though as in all the evening's music the solo voices were strong and penetrating. Perhaps the velveting-over was a mere trick of the acoustics. In Emmanuel Nuñes' *Minnesang*, the more extended of the new pieces, most of the declaimed and chanted text (from the mystic Jakob Boehme) was distinct enough.

Nuñes treats the text with such devotion that he forbids his music to compete with it. Not that literal exposition is the point: rather, the words are handled like sacred objects—intoned, framed, haloed—or else flung out in desperate effusions. For a long time the music hangs upon an unchanging major triad —Stockhausen's *Stimmung*, the obvious model, by comparison teems with episodes—and then becomes a matter of opaque choral textures with solo outbursts set against them. There is a singular dearth of musical events: probably a different sort of experience is intended.

Bayan Northcott's new *Hymn to Cybele*—well, fairly new: it has been a casualty of two ISCM festivals—proved to be strictly musical, much shorter and proportionately more incisive. This is the famous Catullus poem on the self-castration, frenzy and despair of Attis. The score is dedicated to Robin Holloway: if that supplies any musical pointer, it is to *surface*-simple writing (where the music is complex, that isn't reflected in notational complications) and an acute ear for real harmonic functions. Urgent bunting triplets maintain a wild gallop throughout the opulent, gleaming choral music, reinforced and clarified by light percussion and base, with key lines assigned to solo voices. The clean span of the *Hymn* is exciting as well as elegantly shaped, and its pungent harmonies are remarkable.

Michele Campanella

Dominic Gill

Since his South Bank debut two years ago, the Italian pianist Michele Campanella has impressed London audiences on a number of occasions with his own peculiar brand of tough, outspoken grand-romantic bravura. His recital programme on Saturday evening was a characteristic mixture of *oddities*, rarities and familiar virtuoso warhorses—although on this occasion the recipe seemed rather more interesting and adventurous on paper than it did in actual performance and Campanella himself was, perhaps, not on his most sparkling form.

There was certainly no lack of technical fireworks: the fingers go precisely where Campanella wants them to and with as much speed and fury as any pianist could wish. His account of Liszt's *Prelude and Fugue* on the *name of* B-A-C-H (the earliest version, not often heard before it was transformed into the better-known *Fantasy and Fugue*) had real diabolical Lisztian presence—and most impressively, too, made no resort whatsoever to the sustaining pedal as a subterfuge, using it only, and correctly, as a brilliant harmonic and timbral device. Musically the piece is slight but Campanella made the most of its virtues and presented a fine orchestral canvas, full of flame and thunder.

He opened with an A minor Fantasia BWV922, that has been attributed — stylistically surely without the remotest justification—to J. S. Bach (the piece, in two distinct and unconnected sections, sounds more like a dozen pages from the sketchbook of a contemporary admirer of Vivaldi?). César Franck's *Prelude, Choral and Fugue* was delivered with steely determination: an odd performance, of undeniable technical excellence, but all the same rather heavy-handed in its effect, and profoundly un-French in its resonance (the main theme lost most of its grand, bell-like innocence to become a solid Central-European peroration).

Campanella's second half was all Liszt-Wagner. Neither *Walhall* from *Rheingold* nor Elsa's Bridal Procession from *Lohengrin* is a particularly remarkable translation. But the *Liebestod* from *Tristan* and the *Tannhäuser* overture are among Liszt's most brilliant and searching keyboard recreations —and though the *Liebestod* was somewhat unrelentingly hammered to its climax, like those immense arpeggio cascades which accompany the pilgrims' hymn in *Tannhäuser*, it was nonetheless splendidly, weightily effective.

Saleroom/Antony Thorncroft

Marbles in the big time

For most people contact with marbles ended in the school playground but this week they feature prominently in the major London salesrooms. But these are the marble portrait busts which became popular in the 18th century as part of the revival of the antique and which are now being appreciated for their artistry as portraits.

The top price should be paid at Christie's on Thursday when a marble bust by one of the biggest names, Rysbrack, is attached to a most famous figure, Benjamin Franklin. This bust languished unappreciated in Yorkshire for many years until the publicity which surrounded Christie's sale of a bust by Roubiliac, of the 4th Earl of Chesterfield, for £518,400 last year set alarm bells ringing.

Sotheby's tomorrow is also offering a work by Rysbrack, a Fleming who made his reputation in 18th century England: a bust of Daniel Winch, Earl of Winchelsea and Nottingham. The sitter may not be very noteworthy, but this was an important early commission for Rysbrack and Sotheby's hopes for bids around £50,000.

An important writing desk made for the Prince of Wales' use at Carlton House around 1785 and considered to be the prototype for the many "Carlton House" desks that were subsequently produced, comes under the hammer at Sotheby's on Friday.

It was given by the Prince to his private secretary "Honest Jack" Payne as a "thank-you" for escorting his bride-to-be, the Princess Caroline, from Germany to London. In view of the dismal fate of the marriage the decendents of "Honest Jack" are fortunate in being able to sell it, and to expect a price approaching approaching £90,000.

The reference collection of fashion plates and books of Mrs Doris Langley Moore are to be sold at Christie's South Kensington tomorrow. It spans the period from 1776 to the 1950s.

Also tomorrow, simultaneously at Christie's in London and New York, there will be a charity art auction to aid the needy in East Africa.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

April 18-24

Music

PARIS

Ensemble Intercontemporain and Groupe Vocal de France conducted by Mauricio Kagel: Kagel – voices and ensemble (Mon). Théâtre de la Ville (4274 2277).

Ensemble Orchestral de Paris conducted by Jerzy Maksymiuk, Eva Osinska, piano: Lutoslawski, Chopin, Mendelssohn (Tue). Salle Gaveau (4563 2030).

London Sinfonietta conducted by Antony Pay, Neil Jenkins, tenor: Rossini, Britten, Elgar, Tippett (Tue). TMP-Châtelet (4233 4444).

Orchestre National de France, conducted by Vaclav Neumann: Mahler 7 (Wed). Théâtre des Champs Elysées (4723 4777).

Orchestre de Paris conducted by Pierre Boulez. Orchestre de Paris choir conducted by Arthur Oldham: Ravel, Stravinsky (Wed, Thur). Salle Pleyel (4561 0630).

Ensemble Intercontemporain conducted by Jacques Mercier: Nono, Donatoni, Schoenberg, Eisler (Thur). Centre Georges Pompidou, Grande Salle (4261 5675).

LONDON

Philharmonia Orchestra conducted by Vladimir Ashkenazy. Beethoven. Royal Festival Hall (Mon). (928 3191).

Scottish Chamber Orchestra conducted by George Malcolm with Marisa Robles, harp and Susan Milan, flute. Bach, Mozart, de Falla and Rodrigo. Barbican Hall (Mon). (638 8891).

Royal Philharmonic Orchestra conducted by Sir Charles Groves with Mstislav Rostropovich, conductor and cello and Yehudi Menuhin, violin. Tchaikovsky, Beethoven and Brahms. Royal Festival Hall (Tue).

Academy of St. Martin-in-the-Fields conducted by Neville Marriner with Imogen Cooper and Anne Queffélec, pianos. Respighi, Mozart and Bizet. Royal Festival Hall (Wed).

London Symphony Orchestra conducted by Maurice Handford with Elizabeth Perry, violin and ladies of the London Choral Society. Elgar, Vaughan Williams, Britten and Holst. Barbican Hall (Wed).

Royal Philharmonic Orchestra conducted by Nicholas Cleobury with Malcolm Binns, piano. Dukas, Sibelius, Elgar, Ravel. Barbican Hall (Thur).

ITALY

Milan: Teatro Alla Scala: Berg quartet. Haydn, Bartók and Ravel (Mon). (80 91 26).

Rome: Teatro Olimpico (Piazza Gentile da Fabriano): Schubertiade with the soprano Elly Ameling, pianist Rudolf Jansen and Clarinettist Vincenzo Mariozzi (Wed). (39 33 04).

Rome: Auditorium in Via Della Conciliazione: Wolfgang Sawallisch conducting the soprano Margaret Price, mezzosoprano Hanna Schwarz, tenor Peter Schreier, baritone John Brocheler and Bass Matthias Holle in Bach's St Matthew passion (Mon and Tue). (6 54 10 44).

NETHERLANDS

The Ulster Orchestra conducted by Vernon Handly, with Emmy Verhey, violin. Sibelius, Bruch, Elgar, Moeran in Heerlen, Stadsschouwburg (71 66 07). Tue in Rotterdam, Doelen (14 29 11).

Amsterdam, Concertgebouw. Händel's Samson performed by the Amsterdam Christian Oratorio Society, with the Netherlands Philharmonic and soloists conducted by Marten Kamminga (Tue). Bernard Haitink conducting the Concertgebouw Orchestra, with Ashley Putnam, soprano, Jard van Nes, contralto, and the Concertgebouw choir under Arthur Oldham. Mahler (Wed, Thur). Recital Hall: Dmitri Ferschtman, cello, and Mila Baslawskaya, piano. Mendelssohn, Schnittke, Beethoven, De Falla (Tue). The Neues Zürcher Quartet. Haydn, Martin, Dvořák (Thur). (71 83 45).

Utrecht, Vredenburg. Traditional song from India performed by the Rupayan Sansthan group (Tue). Chansons from Catherine Sauvage (Wed). Recital Hall: The Schönberg Ensemble under Reinbert de Leeuw. Malipiero, Sciarrino, Clementi, Maderna, Rotta (Tue). (31 45 44).

VIENNA

Budapest Concert Orchestra and choir conducted by Guenther Theuring. Rapf, Liszt. Musikverein. (Mon).

Vienna String Sextet. Boccherini, Mozart, Korngold. Konzerthaus Mozart Saal (Tue).

Orf (State Broadcasting Corporation) orchestra conducted by Georg Alexander Albrecht. Beethoven. Musikverein (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Marilyn Schmiege mezzosoprano, Rudolph Firkusny piano, Werner Klemperer narrator. New York Choral Artists directed by Joseph Flummerfelt. Martinu, Novak, Dvořák (Tue); Zubin Mehta conducting. Molter, Griffes, Hindemith, Berlioz (Thur). Lincoln Center (874 2424).

Emerson String Quartet (Alice Tully Hall). Borodin, Ives, Beethoven (Mon, Tue). Lincoln Center (362 1911).

Carnegie Hall: Alfred Brendel piano recital. All-Liszt programme (Mon); National Orchestra of New York. Alvaro Cassuto conducting, Janos Starker, cello. Copland, Dvořák, Prokofiev, Stravinsky (Tue). (247 7459).

WASHINGTON

National Symphony (Concert Hall): Jean-Pierre Rampal conducting, Jean-Yves Thibaudet, piano. Honegger, Liszt, Faure, Beethoven (Tue); Jean-Pierre Rampal conductor/flutist. Salieri, Mozart (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Margaret Hillis conducting with Chicago Symphony Chorus. Rorem, Rachmaninov (Thur). (235 8111).

TOKYO

Prague Symphony Orchestra, conducted by Jiri Belohlavek. Smetana, Tchaikovsky, Dvořák. Kanji Hoken Hall, U-Port, Gotanda. (Mon).

New Japan Symphony Orchestra, conductor Kotaro Sato with New Nikkyo Chorus. Weber's Der Freischütz in concert version. Tokyo Bunka Kaikan. (Mon). (237 9990).

Jun Kanno (piano): Bach, Mozart, Beethoven, Chopin, Messiaen. Tokyo Bunka Kaikan Recital Hall (Tue). (571 1680).

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Far too many prisoners

A NEW dispute may be about to break out that could be unusually embarrassing for a British Government that already has problems enough: the Prison Officers' Association is threatening to take industrial action with it appears, the support of a large majority of its members.

On the face of it there could be a few pointed indictments of a Tory administration that came to office seven years ago determined to do something about law and order. Not only has crime continued to rise; the prisons are overflowing and now even the prison officers are rebelling against their terms of service.

There are also some damning international comparisons. The National Association for the Care and Resettlement of Offenders (Nacro) reported recently that the UK sends more people to prison, both in absolute numbers and in proportion to its population, than any other major west European country except Turkey.

The British figures do not even compare well with the country's own recent past. From the early 1950s the number of custodial sentences in England and Wales started to go down. In 1974 it began to rise again and has been going up sharply in the last year or so. This month there were about 47,000 prison inmates—more than 5,000 above the limit officially certified as normal.

Reconviction rate

The figures for recidivism are no more encouraging. Nacro estimates that among the people discharged from prison in 1981 58 per cent of male offenders and 39 per cent of females were reconvicted within two years. The reconviction rate was highest among young offenders.

Since it seems unlikely that Britain has a higher natural rate of criminality than its nearest analogues (say, France and West Germany), it is necessary to probe for the explanations.

Quite the most probable is that people are sent to prison in Britain for offences that would be punished otherwise elsewhere: for instance, by fines or by compulsory, if part-time, service, like mending the roads at weekends.

There is, however, another possible cause. Such is the primitive state of the majority of British prisons that they become a breeding ground for criminality, not a cure. If you put people in prisons in overcrowded conditions and without basic sanitation, it is not surprising that they come out unrepentant, especially if their first offence has been relatively minor.

The present Government's record has not been at all bad. It has undertaken the largest prison-building programme this century—England and Wales had previously gone for nearly 50 years without a new prison. Extra prison staff have been recruited and the payment has been generous. For instance out of a staff at Brixton last year of 638, 103 earned more than £20,000 per annum. If any other government had behaved in this way, Mrs Thatcher would have accused it of trying to solve the problem by throwing money at it.

The current dispute is not directly about pay. It is about the organisation of the prison service. The Home Office thinks that it could be better managed: too much of the prison officers' remuneration comes from overtime. The Prison Officers' Association, for its part, wants to run its own affairs. In that sense it is like a classical industrial dispute in the state sector. Who runs whom when there are no obvious criteria for judging performance?

Yet if the dispute goes ahead it could be immensely damaging to the Government. More people could be held in police cells, army camps could be used for prisoners and ultimately perhaps non-violent offenders with less than six months to serve could be released. But it would still not look like a credible prisons policy.

That is what the Government has to explain, both to the prison officers and the public. It has talked about the need for stiffer sentences, has almost seemed to encourage the courts to give them, but there is scarcely a habitable prison cell left for an offender to go to. It is not entirely this Government's fault. It inherited a mess. Still, there is some obligation to say where it stands now. A white paper on prison reform and the purpose of custodial sentencing might help. Otherwise, Mrs Thatcher's administration may be up another creek without a paddle.

Democracy in the Philippines

THE CRITICAL situation in which the Philippines found itself when President Corazon Aquino came to power required urgent and radical solutions. Nobody, least of all those who were partly responsible for creating that situation in the first place, should have been surprised when Mrs Aquino began to govern with bold, decisive strokes. Rescuing the Philippines from a decade of economic decline and political corruption is a formidable challenge, which requires firm action.

However, even some of her own supporters questioned Mrs Aquino's decision to dissolve parliament, abolish the constitution and run the country by decree for up to a year.

Mrs Aquino decided earlier this month that a commission would be appointed to draw up a new constitution within five months, which would then be put to the people, presumably in a referendum. This would be followed in about a year by a general election for a new parliament.

The new president's justification for such a drastic step was that the Philippines needed a fresh start after the battering it had received under Mr Ferdinand Marcos. In turn, she needed a clean slate to implement the reforms which would revitalise the economy and lead to negotiations to end the communist insurgency.

Mrs Aquino, it is true, could hardly have relied on a discredited constitution and a parliament, which connived to defraud her of victory in February's presidential elections, to achieve all this.

Moreover, the new president needs time to consolidate her hold on power which, although firm, is still largely confined to Manila. Until Mrs Aquino replaces Marcos loyalists in the provinces and reinforces her own party's organisation throughout the country her ability to govern effectively will be limited.

Managing a country's transition from an autocracy to a democracy is a complex and sometimes dangerous task, as events elsewhere, such as Portugal, Spain, Brazil and Argentina, have shown. The key to a smooth transition lies in striking the right balance between firm government and consensus politics.

On the one hand, Mrs Aquino must not allow herself to be inhibited from introducing badly needed reforms by her lack of a constitutional mandate. On the other, she must allow the widest possible debate on government policy as it evolves especially since her government represents a broad coalition of interests without, as yet, a coherent programme for national recovery.

Nobody imagines that Mrs Aquino will betray the trust placed in her by millions who swept her to power. If she has temporarily suspended democracy in the Philippines she has done so to revitalise it, not bury it.

Acid test

Mrs Aquino is also able to draw upon the enormous moral and political authority which she acquired by overthrowing Mr Marcos. But that authority is, inevitably, a depleting asset. Getting rid of Mr Marcos will not, in itself, solve the country's more intractable problems and Mrs Aquino's popularity will be severely tested as she comes to grips with them.

The acid test for the new leader is whether, in the period before a new constitution and parliament are in place, Mrs Aquino can begin to tackle those problems effectively while, at the same time, uniting the country behind her. There have already been signs of dissent within her coalition over, for example, the decision to release jailed communist leaders as part of a wider attempt to end the insurgency.

Those with an interest in the stability of the Philippines—the US with its two military bases there and the country's foreign creditors—will watch Mrs Aquino's delicate balancing act over this period with concern.

In the longer term Mrs Aquino needs to develop democratic institutions which are firmly rooted in the principles of pluralism. The best guarantee of a strong and stable government with sound policies is effective opposition to keep it up to scratch.

The inherently corrupt system of patronage, and its inevitable abuses, which Mr Marcos encouraged for his personal benefit, may have been the traditional way of doing politics in the Philippines. But it was also largely responsible for his downfall. Mrs Aquino must take care to avoid making the same mistake.

DASSAULT-BREGUET AFTER THE DEATH OF ITS FOUNDER

A company that may no longer fly alone

By David Marsh in Paris

THE PERMANENT tricolour vapour trail blazed across the sky by Mr Marcel Dassault is tailing off with a plume of question marks. The death at 94 of the aerospace industrialist who gave France the Mirage leaves Dassault-Breguet, Europe's main manufacturer of combat aircraft, without its founder and guiding influence at a time when the company is facing its greatest challenge.

The company, built up over a long and extraordinary life, had not only made Mr Dassault the most wealthy man in France, but had, over the past decades played an important part in restoring the country's shattered post-war military pride.

With his fighter jets used as the instrument of independent Gaullist foreign policy, Mr Dassault became the symbol of a got-it-alone and opportunistic approach to the international arms business.

France's room for manoeuvre on arms sales is now constrained by its gradual shift to harmonise strategic policies with the rest of Nato, and also by the fierce increase in competition on world defence markets, and the death of Mr Dassault on Friday marks the end of an era in more ways than one.

It brings down the curtain on the career of a man whose name is etched in history with the McDonnells and the Boeings as one of the great engineer-pioneers of the modern aircraft industry.

It removes a unique French phenomenon. Mr Dassault held a seat in the National Assembly almost continuously since 1951, almost never attended debates and kept in touch with an affectionate public mainly through quirkily humourous newspaper advertisements and large outpourings of paternalistic generosity in his constituency in the Oise region north of Paris.

His departure may mark the beginnings of moves to bring Dassault - Breguet — formally under government control since 1981 but still very much the personal fief of Mr Dassault who owns 49 per cent of the shares—back into the mainstream of multinational aerospace co-operation.

Because of the high cost of developing modern technology and the need to secure markets across several countries at once, collaboration is now the leitmotif of all the big international companies in arms and aerospace business.

State-owned Aerospatiale, the other important French aerospace group, has played this card for two decades But Dassault-Breguet has steadfastly declined to join in the game.

During the past few months, French Government officials and other figures in the defence industry have been discreetly voicing concern that Dassault-Breguet might be heading for turbulence.

The company has turnover of FFr 16bn (£1.5bn) — about one fifth of its biggest US competitors—and 16,000 mainly highly-qualified workers in 14 French plants, most of which observed a minute's silence on Friday.

It has consistently registered healthy profits, expected to be over FFr 400m last year.

The company is 46 per cent-owned by the Government (which has 55 per cent of voting shares), following Mr Dassault's outwrite gift of a 26 per cent stake to the state in 1981 to forestall outright nationalisation.

But Mr Dassault, on the staff as a "technical adviser," has kept power concentrated in his own hands. This is underlined by the bulldog-like presence at the helm of the company of Mr Benno-Claude Vallieres, a long-time confidant who joined Mr Dassault in 1930. At 75 he is still chairman—10 years beyond the statutory retirement age for heads of all other state-controlled companies.

Worries about Dassault-Breguet's independent flight path have arisen especially since the breakdown last summer of two years of efforts to build a five-nation European fighter aircraft.

Put simply, the policies which served the company well during the Gaullist era no longer look like a winning formula for the 1990s and beyond.

During the 1950s and 1960s, Mr Dassault's own technical genius, his ability to motivate a team of gifted and dedicated engineers and his skillful lobbying of government and public opinion combined to create a uniquely favourable set of circumstances.

His company became the monopoly supplier of combat aircraft for the French Air Force, taking over in 1967 its last competitor, Breguet.

Mr Dassault's capacity to attract large sums of defence subsidies for aircraft development—and at the same time to build up huge wealth which formed the basis of his political influence — was strongly criticised at the time by Mr Francois Mitterrand, then leader of the Socialist Opposition.

But emphasised by the hero's funeral he will receive tomorrow in Louis XIV's church at the Invalides, there is now consensus on Right and Left that Mr Dassault served France even more than he served himself.

THE DASSAULT RANGE

Civil aircraft	Deliveries*
Mystere-Falcon 10/100	204
Mystere-Falcon 20	426
Guardian	
(US Coastguard)	41
Mystere-Falcon 200	18
Mystere-Falcon 50	148
Mystere-Falcon 900	In test
Military aircraft	
Mirage 3, 5, 50	1,411
Mirage F1	650
Alpha Jet†	474
Mirage 2000	67
Rafale	In test

* Totals to end 1985.
† In co-operation with Dornier of West Germany.

The Mirage 4, still in service, carried France's first nuclear bombs. The Mirage 3, the victor with the Israeli Air Force in the Yom Kippur War and sold to other countries as diverse as Argentina, Belgium, Libya, Pakistan and South Africa, marked the pinnacle of France's prowess as a world-class arms exporter.

Since the mid-1970s, however, and particularly over the past five years, the story has changed.

Forced on the defensive after the Vietnam War, the US aerospace industry has regained the upper hand with the Reagan defence build-up. McDonnell Douglas, with its F-15 and F-18, and General Dynamics, with its F-16, have eaten into Dassault markets.

The success last autumn of the Anglo-German-Italian Tornado fighter-bomber in prising away a keenly-contested Saudi Arabian order was perhaps the most severe blow.

France's own air force equipment efforts have simultaneously been hit by the last few years of budgetary austerity and the mounting cost of modernising the nuclear deterrent, now concentrated on the submarine force.

The combined impact of US moves to woo industrial countries' air forces, France's unwillingness or inability to service sensitive customers such as South Africa, Libya or Israel, and the fall in oil revenues among Middle East countries, have all narrowed Dassault-Breguet's client list.

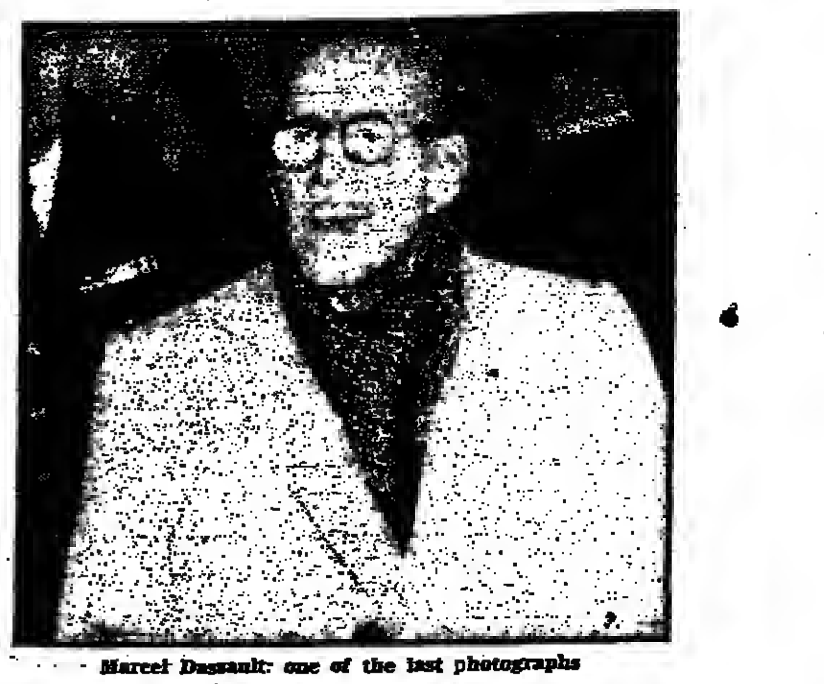
The company's latest Mirage 2000 air superiority interceptor has been delivered only sluggishly to the French Air Force because of budget cuts.

It has won foreign orders only from India, Greece, Egypt, Abu Dhabi and Peru. Balance of payments difficulties among the oil states and Latin America—underlined by the recent halving of the Peruvian order—have not only diminished marketing chances but are also raising doubts over whether Dassault has registered sufficient provisions in its accounts for Third World risks.

The implicit French desire to concentrate above all on lighter fighters for export markets was a key influence in the ill-fated EFA negotiations.

Mr Vallieres, whose mandate was renewed last year up to October 1986 (against the opposition of Mr Charles Hernu, the then Defence Minister), opposed an agreement to build a fighter jointly with Britain, West Germany, Spain and Italy.

The EFA affair was also flawed by failure to agree design specification. But Dassault-Breguet's insistence that it should have overall technological leadership of the project, based on its uncontested superiority in Europe in making delta-winged jets, soured the chances of reaching e work-sharing agreement with British and West German industry.



Marcel Dassault: one of the last photographs

This made almost inevitable the decision by the Bonn Government last August—which nonetheless came as a considerable political shock to the Elysee Palace—to join Britain and Italy (later joined by Spain) in building their own fighter.

France was left to develop on its own a lighter aircraft based on Dassault's Rafale prototype due to make its first flight in June.

To try to defray development costs, the French Defence Ministry over the past few months has been trying to ettract interest in the project from Belgium, Norway, the Netherlands and Denmark, which will be looking to replace their F-16 jets in the late-1990s.

The French Government, somewhat late in the day, has launched a series of initiatives to try to improve harmonisation of European air force needs. President Mitterrand himself in November made a vaguely-worded and coolly-received proposal for France to take a small staka in the four-nation project to give its equipment manufacturers a greater chance of European business.

Dassault-Breguet is on the new French Government's privatisation list. But it would be surprising if the right-wing administration of Mr Jacques Chirac, himself a close friend of the Dassault family, were not to use the death of the founder to try to redirect the company's affairs.

Mr Dassault's son, Serge, the 60-year-old head of the successful military electronics group which bears his name, is also keen to see the state sell its stake.

Any flotation, however, would probably need to be accompanied by a capital increase to boost Dassault's financial resources. The company's shares on the Paris Bourse, which have fluctuated rapidly over the last few years, have fallen in recent months and slid 4 per cent on Friday after news of Mr Dassault's death.

Mr Andre Giraud, the new Defence Minister, is planning to bring a resolutely "industrial" approach to French defence equipment policy, according to Ministry officials. This will almost certainly confirm the need for international co-operation.

Mr Giraud, who was a technocratic Industry Minister in the final years of the Giscard administration, has long experience of turning international partnerships to Gaullist objectives. As head of the French Atomic Energy Commission during the 1970s, he was responsible for building up the French nuclear energy programme by licensing US pressurised water reactor (PWR) technology.

Dassault-Breguet, which makes about 90 per cent of its sales from military aircraft (the rest coming from its high performance business executive jets), has already started some efforts to diversify.

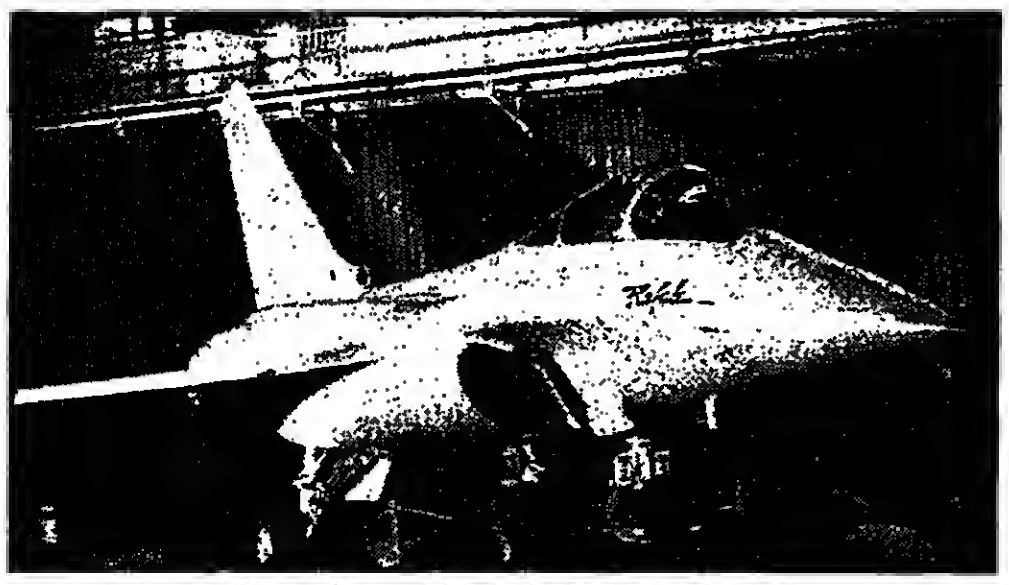
Last year, the company entered a significant space project for the first time when it was chosen to link up with Aerospatiale to design the Hermes space aircraft which France and other European countries plan to launch with the Ariane rocket in the mid-to-late 1990s.

Aerospatiale, however, because of its experience in large international projects, was chosen as lead contractor. Dassault has also shown its ability to seal international alliances with its successful link-up with International Business Machines in computer-aided manufacturing and design.

The main question to resolve in coming months will be that of a successor to Mr Vallieres. Speculation on a replacement has up to now centred on a trio of younger Dassault executives led by Mr Bruno Revelllan-Falcoz, the poker-faced managing director in charge of technical affairs. But the Government may also bring in an outside industrialist or a top defence civil servant. Whoever gets the job when Mr Vallieres retires will have to wrestle with a key dilemma. Dassault-Breguet needs to make a successful trade-off between sharing its technology and entering into genuine multinational partnerships—the only way for aerospace companies outside the US to finance development of large projects and achieve long production runs necessary for economic survival.

Mr Dassault, who liked to think that the four-leaved clover he found just before the war had a hand in rescuing him intact from Buchenwald death camp where he was deported in 1944, always believed he was living under e lucky star.

The next few years will show whether the magic of the four-leaved talisman still works after the death of its owner.



Dassault's Rafale: prototype of a supersonic combat jet

Men and Matters

Penthouse fights moral majority

Bob Guccione, the multi-millionaire publisher of Penthouse magazine, has over the years proved a vigorous defender of the right to publish. But he is gearing up at the moment for what promises to be his toughest-ever battle for his concept of a free press—a legal contest with Ed Meese, US Attorney General, and e forceful ally of the Christian fundamentalist moral majority.

Papers are due to be filed in the courts charging Meese and the Meese Commission with conspiring with a number of fundamentalist organisations to force the 7-Eleven convenience stores chain into blacklisting Penthouse, Playboy and Forum magazines.

The Meese Commission, a body set up by the Attorney General to look into the question of pornography, has attracted the particular suspicion of Guccione. He accuses it of having close ties with the moral majority, and adds: "These censors are using a willing government agency to put inordinate and unlawful pressure on private citizens and their businesses."

Guccione's move attests to the impact of the fundamentalist groups in the US, where the Rev. Jerry Falwell, leader of the Liberty Foundation, appears regularly on prime time television.

"Still finishing from yesterday, or practising for next year's, mate?"

The blacklisting, he says, "brings back dark memories of the role of Senator Joseph McCarthy." The magazines are being attacked, according to one of his supporters, Harvard law professor, Alan Dershowitz, "solely because they do not conform to the single-mindid religious, moral and behavioural standards of Jerry Falwell and other fundamentalist zealots."

Falwell's forces have recently drawn blood in a campaign against the 7-Eleven stores chain. Constant picketing, boycotts and protests against the group's policy of stocking "adult" magazines eventually persuaded the owner, Southland Corporation, to take the publications off the shelves.

Southland's decision was greeted by a predictable blast from Playboy Enterprises, Penthouse's main competitor, which said that the magazine had stood for "positive, healthy sex for three decades."

Guccione, after initially holding his fire, is now entering the fight to defend the First Amendment on freedom of publication.

Butler's post

Europe's capital markets, says Hambros Bank chairman, Chips Keswick, are "an area in which we have got an expanding future."

Hambros — the subject of speculation about a Lonrho takeover at the weekend — is already one of the leading bouses in Euro-sterling issues; and Keswick has now recruited a new executive director whose background knowledge, he says, should make him "en effective negotiator and mandate-winner" for the merchant bank.

The recruit is Sir Michael Butler, until six months ago Britain's permanent representative to the EEC.

Every inch a mandarin, as they say — he even has a fine collection of Chinese porcelain — Butler, 59, retired last year to pursue a second career in the City.

Just e few months ago, be became a part-time consultant to ICL, the computer company whose chairman, Peter Bonfield, is eager to develop stronger European co-operation in high technology.

Most of Butler's diplomatic career has been spent in promoting Britain's economic relations with Europe. He worked on the first Common Market entry negotiations in the 1960s, and was in charge of preparations for UK entry in 1973.

Busy lines

Some British Telecom shareholders, it seems, may have to wait another week to 10 days before they get their interim certificates.

Twelve days after the April 9 deadline for the final 40p payment, the six receiving banks are still beavering away at the mounds of mail from more than 1.6m shareholders.

Responding to complaints end anxieties about being kept so long on "hold," a BT spokesman said at the weekend that so many shareholders had waited until the last week before posting their payments that it would take up to three weeks to process them.

"We expect all temporary certificates will have reached shareholders by the end of the month," he said.

BT's special inquiry lines have been humming to the tune of 4,000 calls a week — and it might be simpler, it was suggested, if shareholders, anxious about the forfeiture penalty, checked with their banks to see if payments have been cleared.

It seems unlikely, anyway, that the penalty will be applied in eny cases where efforts were clearly mede to pay the instalment by the due date.

After this operation is completed, shareholders will probably have another wait for their final share certificates.

Last act?

Sir Robert Muldoon, New Zealand's abrasive former Prime Minister, is obviously finding life out of tha limelight a bit of a bore.

Without a starring political role since he was ousted from the leadership of the National Party in 1984, and now relegated to the very rear of the opposition back benches, Muldoon has found another stage for his talents. He is to appear in an Auckland production of the bawdy rock-and-roll musical, The Rocky Horror Show.

Muldoon, 64, says he will not be wearing lacy knickers and high heels like the rest of the cast. "I am not a high heels type of person."

He will appear in the five-night season in the role of the narrator. Towards the end of the show, he is required to leap from his seat and lead the cast in a wild dance, the time warp hustle.

Loss of volume

From the house magazine of a US company: "He said 1985 had been an excellent year. The company had achieved increased sales for all their products except hearing aids, which were going through a very quiet time."

Observer

FOREIGN AFFAIRS

Throwing bricks at a wasps' nest

By Ian Davidson

LAST TUESDAY, Mrs Thatchor was loudly proclaiming how right she had been to support President Reagan's bombing attack on Libya. Wednesday brought her back with a repeat performance on the same theme. Thursday proved her conclusively, comprehensively and appallingly wrong, on at least six counts: three hostages killed in Lebanon, another British hostage taken, an American diplomat shot in Khartoum, and a foiled attempt to plant a bomb on an El Al flight from Heathrow airport. President Reagan claimed that Monday's raid was a success; the Pentagon later described it as "perfect"; but if this is success, I shudder to think what failure would look like.

Mnreover, the full costs of that one short night are still as far from being counted. The killing of three hostages was easy; the planning and mounting of other attacks may take more time. No-one in his right mind could ever have seriously believed that nne 12-minute air-raid at dead of night would act as an effective deterrent against the hydra-headed beast of terrorism; it takes a real fool to throw bricks at a wasps' nest.

Secondly, the operation threatens to drive a damaging wedge into the trans-atlantic relationship. In Washington, Mrs Thatcher has come in for effusive praise for her assistance, but the contrast with the refusal of the other European allies has been heavily and graphically drawn to the attention of the US public, much of which endorses the Administration's action, even though it also expects that it will provoke further terrorism. But in Britain, polls show that two-thirds of the public condemns both the American action and Mrs Thatcher's support for it; so even if she wins rosettes in Washington, the British public is clearly not persuaded that loyalty to the US was a good enough reason. Tn that extent, the operation can nnly have heightened existing misgivings, in Britain as well as in the rest of Europe, about President Reagan's imprudent eagerness to resort to force of arms in inappropriate circumstances.

The worst of it is that Britain's support for the American attack was unnecessary, gratuitous, insensate. Mrs Thatcher was warned; she could foresee the likely consequences; she had every reason to fear that the attack would be counter-productive; yet she persisted, against all the prudent reservations of her responsible ministers, in nailing her colours to a rotten mast. Why?

Perhaps the explanations fall into three broad categories: a personal gut instinct for standing shoulder-to-shoulder with Ronnie, if at all possible; a personal repugnance for the endless tergiversations and weasel equivocation of some of Britain's partners and allies in Europe, which in the last resort make any action appear better than perpetual humbug; and the feebleness of her responsible ministers, who seem to prefer to run away, not in order to fight another day, but to be able to run away, another day as well.

Some people seem to think that Mrs Thatcher had a debt to repay to President Reagan for the help he unstintingly provided in the Falklands campaign four years ago. Perhaps she thinks so, too. But it is a base argument, which reduces the relationship between sovereign states, bonded through a voluntary alliance, overlapping national interests, and an ostensible commitment to the rule of law and rational analysis, to the sordid tractations between Mafia hoodlums. Right or wrong, you owe me, so pay up, or else.

To be fair, this was not an argument advanced by Mrs Thatcher herself in the House of Commons last week. Instead, she based her case on Tuesday that Britain had a more general obligation: the fact that the US had 330,000 troops based in Europe for our defence, she implied, in itself constituted a reasonable case for an American claim on British solidarity.

Psychologically and politically, the argument is very powerful in general terms, though it does not necessarily lead, and in this case it should not have led, to the conclusions she drew. If the Americans know that their soldiers and their citizens are vulnerabio to terrorist attacks in Europe; if the European governments refuse to take effective political action against terrorism; if the Americans have strong evidence that a terrorist attack which killed one American and wounded many more, is directly linked to Col Gadaffi's murderous regime; if they believe that this entitles them to satisfy a barely-suppressed urge tn take direct military action against Libya; then the European allies have no reasonable grounds for frustrating the only independent action open to them. The alternative is a growing disenchantment between tho US and Europe, and in the long run the risk that, if the Europeans will not defend American soldiers, the American people will be relnctant to use their soldiers to defend the Europeans.

Lebanese demonstrate outside the former US embassy in Beirut. The next day, the bodies of three hostages were found

This is the kind of argument which was presented in a New York Times editorial last week. "Sergeant Kenneth Ford, the American killed in the Berlin disco bombing that precipitated the attack on Libya, was stationed in Europe to serve an extraordinary 40-year American commitment to an extraordinary alliance. . . . If his murder, America's reprisal and Europe's demurrals were now to weaken that commitment and that alliance, Col Gadaffi would have scored a mighty victory.

"Nato imposes no contractual obligation nn the allies to harmonise policy in Afghanistan, Vietnam, Nicaragua or Libya. The treaty's authors never dreamed of a joint pursuit of terrorists. But the Nato troops who wait to blunt an unlikely Soviet attack stand for nothing if they do not stand for a sense of shared community and values.

"If a partner in that community pleads for help in distress, an ally's duty is not merely to weigh the request against other interests but to recognise the common interest in helping as much as conscience allows."

The words betray themselves. The US is not a damsel in distress, tearful and terrified; it is a mighty superpower, which wanted to bomb the hell out of Libya; its carrier groups in the Mediterranean were entirely capable of performing the task, and more conveniently at that; instead, it chose to make the issue a litmus test of alliance solidarity, by demanding the use of the F111s based in Britain.

As many people have pointed out, it was bound to be a very difficult choice. Mrs Thatcher claimed in the House last Tuesday that the US action was in the British interest; but she had no reason to imagine that terrorism can be defeated by military force, and she does not believe it now. When WPC Yvonne Fletcher was murdered hy Libyans two years ago, did Mrs Thatcher send a task force to bomb Libya? No, she kicked the Libyans out nf the UK. Even though she has now set a most disturbing precedent, she was at pains to insist that she would not necessarily agree to a similar request from the US on another occasion.

On the other hand, it was bound to be difficult to refuse a categorical American request. A categorical British veto could raise serious misgivings in America about the long-term raison d'etre of the bases in the UK, since it would imply a British claim to be able to override American decisions on American interests.

Nevertheless, the result so far looks like tho worst of all possible worlds. Washington has gone out of its way to create the conditions for a European-American quarrel; Mrs Thatcher, by agreeing to the US demand without first concerting her position with her European allies or considering the impact on British public opinion, has exacerbated that quarrel; and the alarm expressed in the first paragraph of the New York Times editorial has been amply justified. Not merely has the American attack rallied Arab support for Col Gadaffi and precipitated an immediate wave of terrorist attacks, it has also weakened the alliance. Is that really what President Reagan and Mrs Thatcher had in mind?

It goes without saying that Britain's European partners bear a heavier burden of responsibility for letting things get to this pass. If they had been prepared to take more vigorous, co-operative non-military action to thwart the terrorist threat, they would have been on much stronger ground in condemning the US military action. Let us not speak of the Greek Government's sleezy choice of friends; even the French, Germans and Italians, who ought to know better, have been altogether too evasive. It was not until they saw the prospect of an American attack staring them in the face, that the European Community governments were prepared to start thinking about effective action against the Libyan People's Bureaux. Today, their foreign ministers will be discussing the issue for the third time in eight days; they had better show that they mean business.

And so finally to Mrs Thatcher's ministers. Sir Geoffrey Howe has said that he did not know about the US attack until after he returned from the ministerial meeting in the Hague last Monday evening: that is what he told the House of Commons, and it must be true. But Mrs Thatcher told the House that President Reagan had informed her the previous week that he intended tn take military action, and that she had agreed to the use of the F111s. So either she kept her Foreign Secretary entirely in the dark, or else the only uncertainty in his mind must havo been the precise moment the F111s would take off.

On Tuesday, Sir Geoffrey said the US attack was not merely justifiable, it was essential. But on Wednesday evening, he gave a glimpse of a rather different judgment. At their meeting in The Hague, he said, the 12 foreign ministers had agreed on a useful framework [of curbs on the Libyan People's Bureaux] "but alas too late." He was signalling to his friends, late at night, that he was really on the side of the angels. Is this good enough?

Lombard

Investment for the long term

By Richard Lambert

SHAREHOLDERS in Cincinnati Milacron, the leading US machine tool company, will vote tomorrow on an ingonious scheme to instil a degree of stability into tho ownership of the business. The idea is to give long-term shareholders a greater voice in company affairs than those who are in it only for the short haul. To achieve this, all existing shareholders will be entitled to 10 votes a share, but investors who buy in after the recapitalisation will have only one vote e share—until they have held on for three years. Then they will get 10 votes a time.

The board's motives sound admirable. It argues that in recent years speculative investors have exercised undue influence over the management of many publicly traded companies. And it is especially worried ebout the growing power of investment managers whose interest in short term performance leads them to support highly leveraged takeovers, or management strategies which emphasise only short-term returns.

Family control

Milacron says it is not aware of any potential takeover threat. But as a world leader in e highly cyclical industry, it obviously feels vulnerable to a surprise attack during a lean period for profits. The recapitalisation would push arbitrageurs out of the picture altogether and give the board a chance to negotiate any takeover attempt in an orderly fashion. It will also be able to issue new shares without diluting the control of long-term shareholders too far.

So far, so unobjectionable. But there is another important cooslderation. Milacron, like other US companies which have introduced a differential voting structure, has an important family shareholding, with 36 per cent of the votes held by descendants of the man who founded the business 100 years ago. In addition, around 16 per cent of the votes are tied up in employeo benefit schemes of one kind or another. Both these groops of investors are likely to be long-term holders. So as well as giving the management the chance to think about grand long-term strategy, the scheme is also likely significantly to increase family control over the company at no cost. Small wonder that the share price has been as flat as a pancake since the plan was announced.

There are checks and balances to prevent the plan being taken too far. If shares whose holders are entitled to vote 10 votes a share fall to less than 15 per cent of the outstanding capital at two consecutive annual meetings, the scheme will be scrapped. And Milacron has some strong-minded independent directors to ensure fair play, including the moon walker, Mr Neil Armstrong. Moreover, family loyalty is not what it used to be, as executives of Richardson-Vicks and Allen-Bradley, to name but two, will readily testify.

Shareholder loyalty

Yet a two-class voting structure, even one as well designed as this, always has the same drewback. The threat that the market might make trivial judgments about the future of the business is replaced by the possibility that hidebound management will stifle future development without any discipline from the market place.

Might there be a better way to encourage long-term shareholders? One thought would be to offer a dividend bonus to investors of more than three years standing. But this would be very difficult to edminister, and might not be all that effective. Short-term dealers would he much more interested in the chance of e big capital gain following a takeover approach than in any yield advantage that the company could afford to pay.

In the end, artful dodges to encourage shareholder loyalty are never very satisfactory. A company's best approach is to keep shareholders fully informed about its forward thinking and not just at moments of crisis when a predator is beating at the door. As deregulation sweeps through the European capital markets, this is a concern not just for American managers.

Letters to the Editor

Why must it be jam tomorrow?

From the Director General, Chemical Industries Association.

Sir,—I strongly endorse the view that Government should no longer stand in the way of the electricity supply industry's efforts to obtain fuel supplies at internationally competitive prices (Leader, April 14), and reflecting this in substantial electricity price rednctions. The need for action is especially urgent in the case of supply to large industrial users with a high share of their tntal business in export markets, but is also important to the supply of electricity to the rest of industry and to the domestic consumer.

In this country many large industrial users face electricity price increases as high as 6½ per cent in the present tariff year which began on April 1. So far we have not obtained any adequate explanation for such extravagant increases except the comment that the increasing rate of return and financial "take" by the State, as demanded by government, are partly responsible. The rises compare with the electricity industry's stated five-year target nf increases averaging "1 per cent below the rate of inflation." This target and the Chancellor's estimate of a 3½ per cent inflation rate this year would imply electricity price increases averaging 2½ per cent. Comparing promises with reality gives a hollow ring to these "jam tomorrow" assurances!

Meanwhile monitoring the movement of electricity prices in the five other leading EC countries show that these are in many cases being frozen or substantially reduced because utilities there are allowed to have access to much cheaper world price coal and oil and to pass on the cost benefits nf this and of a growing low unit cost nuclear component to their customers.

It is a fearful indictment of government energy price practices in this country that, despite our uniquely favourable energy supply position in comparison with EC competitors, consumers here still fare the worst even in a situation of collapsing world fuel prices. To get back our competitiveness we must somehow break the habit of economic hysterisis—that is, being cost leaders nn the way up and price laggards on the way down.

Martin E. Trowbridge,
93 Albert Embankment, S.E.1.

Energy prices to industry

From the Managing Director, Tunnel Refineries.

Sir,—With reference to your Editorial 'Energy prices' April 14) I am sure many people will be in sympathy with the views expressed.

In the article, however, little mention is made of the impact upon hard pressed UK manufacturers by current Government policy. British manufacturing is already penalised when compared to its Continental counterparts in respect of electricity pricing. This situation has now been aggravated further by the imposed price increase of 5 per cent, effective from April 1 this year. It may interest readers to know, however, that gas prices for manufacturers such as ourselves have fallen by between 12 per cent and 15 per cent, reflecting a true competitive free market strategy.

The result of such a free market strategy for oil and gas, but not for electricity, is for major UK manufacturers to generate more of their own electricity, leaving local electricity Boards void of valuable income and the Central Electricity Generating Board with surplus capacity that will increase generating costs.

The Government is continually exhorting British industry to become competitive and to increase production. It is the responsibility of government, however, to create the climate and conditions in which its manufacturing industries can function competitively by not handicapping manufacturers, especially those who must compete with similar operations within Europe.

The responsibility for UK manufacturers is to remain competitive within an international context, especially Europe, to ensure future investment and employment within the UK. It is imperative that we are not handicapped by government policies that do not recognise the very virtues that it wishes to impose upon those companies.

H. Fox,
Thames Bank House,
Tunnel Avenue SE10.

Punters and papers

From the Managing Director, Sporting Life

Sir,—James Buchan, in his Weekend FT report (April 12), describes James Wigan as "one of the best interpreters of a complex industry for outsiders." Mr Wigan is quoted as saying "that the Sporting Life is widely held to be showing signs of monopoly wear and tear."

May one ask on what he bases his opinion? At the Life offices, we hold letters from sources as varied as 5p punters and Jockey Club members, complimenting us on how much the paper has improved recently. If a monopoly is bad for a racing newspaper then surely we should be equally concerned about the emergence of the near-monopoly for the Maktoums in the bloodstock industry, or is that merely good business for bloodstock agents like Mr Wigan?

George White.
81-89 Farringdon Road, EC1

Complaints against barristers

From the Vice-Chairman of the Bar

Sir,—I was astonished to read the statement of your Legal Correspondent (April 17) that "The Bar has no complaint procedure whatsoever." This is simply not true.

Any complaint against a barrister, including any allegation of negligence or incompetence is dealt with scrupulously under a well established procedure. It is first referred to the professional conduct committee (PCC) which carries out a full investigation to establish whether or not there is any evidence of professional misconduct or of a breach of professional standards. The PCC includes two lay representatives nominated by the Lord Chancellor. The PCC then has three basic courses open to it.

It can refer the matter to a disciplinary tribunal which is presided over by a judge and also includes an independent lay representative nominated by the Lord Chancellor. If any charge is found proved, the barrister can be disbarred, suspended from practice, ordered to forgo or repay his fees or be reprimanded. Less serious cases can be dealt with summarily by the PCC itself acting in a quasi-judicial role. The PCC has power to reject a complaint but, it nnly does so if both the independent lay representatives on the committee consider that that is the correct course.

Full details of the procedure are available on request from the senate and I em surprised thet your Legal Correspondent did not choose to enquire about this before making his assertion.

The procedure for dealing with complaints against barristers reflects our determination to maintain high standards at the Bar, and I believe that its existence contributes to the high regard in which the integrity and skill of the Bar is held by the general public.

Peter Scott QC.
(Chairman of the Professional Conduct Committee of the Bar Council.)
Senate of the Inns of Court and the Bar,
11 South Square,
Gray's Inn WC1.

Let accountants beg in vain

From Mr J. Butcher.

Sir, — Hazel Duffy's report (April 14) on the spectre of litigation that haunts the professions touched on an issue that raises fundamental principles of business.

In a free enterprise capitalist system, people put up risk money mainly because there are safeguards. The Financial Services Bill is designed to improve the safeguards available to investors.

For over 100 years one of the main safeguards has been the audit. If, as a result of a negligent audit, shareholders suffer loss, the company can sue its auditor whose liability is unlimited.

Because of the high level of claims, there is insufficient capacity in the insurance market to cover accountants against the risks of being sued for professional negligence.

So the accountancy profession has asked the government to limit the liability of auditors of investment business as covered by the Bill.

In his submission to the Minister, the President of the Institute of Chartered Accountants England tries to justify his plea by arguing that the auditor needs to be protected if he is to be required to report to the new supervisory body. There may be a case for exempting the auditor from liability for so reporting his clients, but there can be no case for a blanket limitation. Don't investors deserve the protection of an eoditor whom they can sue if he does his job negligently?

The solutions to the serious problems of professional liability lie in improved standards, higher fees, the willingness to pay insurers the going rate for the cover needed and better legal procedures for settling claims.

The Government should be very wary about reducing the full protection of a professional audit, lest investors suffer losses and confidence in the capitalist system be undermined.

J. V. C. Butcher,
18 Bramble Rise,
Cobham, Surrey.

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FINANCIAL TIMES

Monday April 21 1986

Terry Byland on Wall Street

Bulls come through a stern test

THERE CAN be no doubting the bullishness of a US stock market that can soar to new peaks within two days of the US bombing attack on Libya. The inability of Opec ministers to agree on oil output cuts – swiftly reflected in falls in crude oil futures in New York – underpinned Wall Street's belief that the Libyan affair will not provoke an international crisis.

So, with fingers crossed perhaps, the brokerage community continued to sound a bullish note. Further falls in interest rates and in the US dollar, together with growth in US and world economies, are predicted by many analysts. A yield of 6.5 per cent long-dated federal bonds within months is the market's latest target.

Another shakeout in the stock market is generally accepted as quite likely, but not on any more significant scale than the 5 per cent setback so quickly recovered last week. E. F. Hutton suggests that only aggressive traders should even try to react to such a correction.

"Investors," it suggests, "should continue to focus on the central trend and remain fully committed. There is no inflation on the horizon, and the path of interest rates is down." Investors continue to divide their favours between bonds and stocks on a 35-65 per cent basis, with the powerful surge in Treasury bonds suggesting that the stock market may have more to offer in the near term.

But within these parameters, there are signs of shifting priorities. A stock market correction is likely to be triggered by a recovery in oil prices, disappointing corporate earnings reports or both.

A rally in oil prices seems almost inevitable, if only on the basis that whatever goes down must go up. Smith Barney, Harris Upham has already urged clients to increase the energy sector of portfolios from 8 per cent to 10 per cent or a full market rating. It points out that the relative total return from the energy sector has already exceeded that of all other sectors for some months.

Smith Barney is prepared to envisage a recovery in oil prices to around $20 a barrel. This might boost some oil stocks but would do little for the domestic drilling and service companies that have taken most of the beating since crude prices tumbled from last year's average price of $26 a barrel.

Chemical stocks would be obvious candidates for disposal by investors seeking to increase portfolio weightings towards energy issues. The chemical sector has taken most of its gain from the fall in the price of its oil feedstocks, which is beginning to show through in the current round of good results from the major names.

Airlines stocks, having benefited from falling oil prices, might seem another selling target for those expecting oil prices to rally. But strength in the domestic carriers reflects a wide range of potentially bearish factors, including prospects for another wave of takeovers and for a healthy domestic tourist trade as US tourists shy off foreign travel.

Investors wanting to reshape their stockholdings might also look askance at the technology sector, which has lagged the market for some time. Digital Equipment restored the sector's morale last week with a set of good profit figures. But computer issues are still smarting from IBM's somewhat cool view of prospects for the rest of the year.

But across the broad range of the stock market, bullishness is still in order. Interest-related stocks are still benefiting from the plunge in short-term rates. The season of bank results has been starred by excellent figures from J. P. Morgan, long regarded as one of the best managed banks. Even BankAmerica has attracted not only buyers, but recommendation from Salomon Bros as a bank with more bad news behind it than ahead.

Consumer issues have shown a more uncertain trend, with the major department stores still troubled by heavy price competition. The best performance has come from food stocks, which have outpaced the market since early March. Lower prices for petrol and for central heating fuel will leave more money in consumers' pockets, and the first place to spend it will be the local supermarket.

Nor is the market upset by the somewhat lacklustre outlook for corporate profits, which reflects the uncertain pace of the economy. Some brokers are trimming earnings forecast for the S&P stocks for this year. But 1987 forecast remain high at around $19.00 a share, which puts the market on a 12.75 multiple at present – a fair representation of the bullish environment.

UK expected to launch 10th oil and gas round

BY DOMINIC LAWSON IN LONDON

THE BRITISH Government is expected this week to announce its intention of holding a 10th offshore oil and gas licensing round, despite the collapse in crude oil prices and subsequent slashing of oil companies' North Sea exploration budgets.

The independent oil companies had argued that the next licensing round should be deferred but the Government is determined to press ahead, in part to keep faith with the offshore supplies industry, which has become increasingly demoralised by the drying up of North Sea exploration.

In one key area the Energy Department appears to have won an argument with the Treasury, to the benefit of the smaller oil companies. It seems likely that the 10th round will not contain a cash auction element, which the Treasury has found very lucrative in previous licensing rounds. In the ninth round last year the Government netted £121m from the auction of 13 prime blocks.

In the absence of a cash auction, all awards would be at the discretion of the Energy Department.

Although Esso, the UK subsidiary of Exxon of the US, has called for a cash auction element in the 10th round, hardly any of the British oil companies, apart from BP and Shell, have the available funds at current oil prices to compete in such an auction.

The Department of Energy's main concern is to avoid the embarrassment of the oil industry rejecting most of the acreage on offer. Therefore, many fewer blocks than the 195 offered in the ninth round are likely to be made available.

The 10th round is likely to contain very little of the deep water frontier acreage that characterised the previous licensing round. Instead it will concentrate on the established producing regions of the North Sea. In particular, the Energy Department is likely to offer areas with potential for gas discoveries.

Gas prices paid by state-owned British Gas to suppliers are not tied entirely to the oil price, and British Gas is known to be short of supplies to match UK gas demand in the mid-1990s.

For this reason, the southern and central regions of the North Sea are likely to be the main area of interest in the 10th round.

Established North Sea oil companies have already formed provisional consortia for taking part in the 10th round.

After the Government announcement, which will set out the general areas to be offered, these groups will carry out seismic surveys of those areas in the summer. Several months later the Government will then reveal the exact blocks to be offered and, after receiving bids from the oil industry, it is likely to award the licences early next year.

In the 10th round the Government will probably have to settle for slow work programmes by the oil industry, which is unwilling to commit itself to an intensive programme of North Sea exploration until the oil price stabilises at much higher levels.

Norwegian strike, Page 3

Opec majority in favour of raising total output ceiling

BY RICHARD JOHNS IN GENEVA

A CLEAR majority of the Organisation of Petroleum Exporting Countries (Opec) has emerged in favour of an increase in the ceiling on total oil output to 16.3m barrels a day. This would still be below current estimated Opec production of 17.5m b/d.

Ten of the 13 members meeting in Geneva at the weekend were in favour of increasing the ceiling within a reasonable limit.

The hardline alliance of Algeria, Iran and Libya was effectively isolated. It had called for a reduction to 14.5m b/d from the present agreed ceiling of 15m b/d.

This raised hopes of an agreement shortly on a higher output limit that is consistent with market demand and is of a kind members might observe.

Representatives from member states, excluding those of Algeria, Iran and Libya, concluded on Saturday evening that demand for Opec crude for the rest of the second quarter and the third would be safely accommodated by a ceiling of 16.3m b/d. Their calculation assumed a speedy end to the Norwegian offshore oil workers' strike. Their estimate for the fourth quarter was 17.3m b/d.

Their proposal was that any increment should be shared pro rata according to percentage shares under the accord reached in Geneva in October 1984.

Opec ministers yesterday asked three chief delegates – Sheikh Ali Khalifa al Sabah of Kuwait, Dr Subroto of Indonesia and Mr Rilwanu Lukman of Nigeria – to assess the size of voluntary cuts possible by non-Opec producers and the volume of output which might be closed down in North America.

They were scheduled to meet last night and report this morning.

The gloom pervading the meeting suddenly lifted on Saturday night after nearly 18 hours of talks.

It was by no means certain, however, whether Saudi Arabia, Kuwait and the United Arab Emirates sincerely believed the time to be ripe for a compromise.

The hardliners were obviously surprised by the size of the majority established by Venezuela and the conservative Arab oil producers. They say that Saudi Arabia and its allies are still bent on getting the UK and Norway to agree to curb their output.

The question of adjusting members' quotas under any higher ceiling is likely to be deferred until a later meeting.

Mr Fawzi Shakshuki, Libyan chief delegate, said that his country would not accept a ceiling in the range of 16m-17m b/d.

Efforts by Venezuela, whose chief delegate Mr Arturo Hernandez Grisanti is the current Opec president, and the conservative Arab producing states to breath life into a moribund conference appeared to have worked.

The talks were resumed in Geneva last Tuesday after an adjournment in March

On Friday the conference seemed in danger of collapse as Mr Belkacem Nabi, Algerian Minister of Energy, said there could be "no compromise at this meeting or any future meeting."

They were, be said, "two directions which are 180 degrees apart," referring to the conflict between the camp seeking to boost prices by a deep cut in output and the others now commited to a gradual approach to raising per barrel revenues.

He said that chances of co-operation with Mexico, Egypt, Oman, Malaysia and Angola – represented during the first phase of the conference – had been lost.

Tories in Britain uneasy over use of bases for Libya raid

BY PETER RIDDELL, POLITICAL EDITOR

CONSERVATIVE MPs in Britain have reported considerable apprehension and uncertainty among paty supporters and voters about the use of British hases hy the US for last week's bombing raid on Libya.

The response, even from activists in local parties was said to be questioning and, in some cases, critical. while there was a feeling that Mrs Margaret Thatcher, the Prime Minister, ought to be supported in face of opposition attacks, there were strong misgivings about possible future military action.

This experience of Tory members from different parts of Britain ties in with the evidence of three opinion polls which suggest that two-thirds of the British public opposed both the bombing and the Government's attitude to it.

A number of MPs, including ministers, also reported concern about the control of US bases in Britain, which they fear will provide ammunition for the opposition Labour Party and the Campaign for Nuclear Disarmament.

Mr Gerald Howarth, a Midlands MP, said reaction in his constituency was mixed, with apprehension about what had happened among Tory supporters. Some of these doubts could be removed by an explanation of the Government's decision, he said.

Mr Robert Mc-Crindle, another Tory MP, reported a "pretty negative" reaction on the hasis of 15 letters, half a dozen telephone calls, a meeting of his local executives and conversations with constituents. He was slightly surprised by the intensity of the response and said thet, while there was an instinctive feeling of support for the Prime Minister among party members, there were douhts about any further military action.

Another MP, Mr Cyril Townsend, who was openly critical of the US action in the House of Commons last week, reported support for his stand locally.

A large majority of the thousands of letters and calls to the Prime Minister's office on the subject have been hostile to Mrs Thatcher's decision. However, there are apparently some signs of a co-ordinated, rather than a spontaneous, campaign and no precise figures are being released.

However, in a TV interview Mr Edward Heath, the former Prime Minister gave a warning of the dangers of escalation. He said that if there was another request by President Reagan to use bases in Britain then this might create a situation "which I doubt very much whether this British Government could survive."

To answer these doubts, senior ministers, including Mr Norman Tebbit, the Conservative Party chairman, and Mr Tom King, the Northern Ireland Secretary, made a point over the weekend of emphasing the Libyan involvement in terrorism within the UK, particularly via the IRA.

Mr King said in a statement that "the great curse of the IRA has been fed and nurtured by among others over the years, the evil regime that is Gadaffi's Libya."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	F	13	55	Malta	F	17	63	Rhodes	C	19	66
Algiers	S	20	68	Edinburgh	F	9	48	Manchester	C	10	50	Rio de J'o	C	30	86
Amsterdam	R	7	45	Faro	F	17	63	Manila	S	35	95	Rome	S	14	57
Athens	S	20	68	Florence	S	17	63	Melbourne	C	17	63	Salzburg	F	9	48
Bahrain	C	25	77	Frankfurt	C	9	48	Mexico City	S	27	81	San Francisco	S	12	54
Bangkok	S	35	95	Funchal	C	16	61	Miami	S	21	70	Seoul	S	15	59
Barcelona	S	15	59	Geneva	R	7	45	Milan	S	16	61	Singapore	F	31	88
Beirut	S	25	77	Gibraltar	S	20	68	Montreal	F	11	52	Stockholm	Sl	0	32
Belfast	R	9	48	Glasgow	F	11	52	Moscow	R	10	50	Strasbourg	R	9	48
Belgrade	R	10	50	Guernsey	S	10	50	Munich	F	6	43	Sydney	S	25	77
Berlin	C	7	45	Helsinki	R	4	39	Nairobi	R	22	72	Taipei	C	23	73
Biarritz	C	15	59	H. Kong	C	27	81	Naples	S	18	64	Tangier	C	17	63
Bombay	R	33	91	Innsbruck	C	7	45	Nassau	S	26	79	Tel Aviv	F	20	68
Bordeaux	R	13	55	Inverness	F	9	48	New Delhi	S	35	95	Tenerife	F	19	66
Brussels	R	7	45	Islamabad	S	37	99	New York	S	11	52	Tokyo	C	16	61
Budapest	F	12	54	Istanbul	R	12	54	Nice	S	18	64	Toronto	S	9	48
B. Aires	R	26	79	Jakarta	C	31	88	Nicosia	S	28	82	Tunis	F	19	66
Cairo	S	35	95	Jersey	S	11	52	Oporto	C	14	57	Valencia	S	22	72
Cape Town	R	21	70	Jo'burg	C	18	64	Oslo	Sn	1	34	Venice	S	15	59
Caracas	C	29	84	Lima	S	24	75	Paris	R	9	48	Vienna	C	6	43
Casablanca	S	16	61	Lisbon	C	14	57	Peking	S	16	61	Warsaw	C	5	41
Chicago	C	10	50	London	C	13	55	Prague	F	6	43	Washington	S	11	52
Cologne	F	11	52	Los Angeles	S	16	61	Reykjavik	F	9	48	Zurich	R	5	41
Copenhagen	Sn	2	36	Luxembourg	R	4	39								
Corfu	T	12	54	Madrid	S	15	59								
Dallas	S	11	52	Majorca	S	18	64								
Dublin	F	9	48	Malaga	S	20	68								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

European share clearing service launched

By Alexander Nicoll in London

THE international equity market takes a step forward today when Euro-clear, the Brussels-based Eurobond clearing system, launches a clearing service for about 100 shares from five European countries.

The lack of an efficient cross-border clearing system has been a drawback for traders, who increasingly want to deal in equities outside the country of issue amid the trend towards globalisation of stock markets.

The shares initially to be handled by Euro-clear are Belgian, West German, Dutch, Swedish and Swiss. Equities from other countries are likely to be added soon, following the overall criterion that they must be widely traded outside their home market.

The absence of British shares from the initial list is not surprising after the UK Government's recent imposition of a 5 per cent charge on the conversion of British shares into depositary receipts and on transfers into clearing systems such as Euro-clear. UK shares listed on European stock exchanges are mostly traded there in depositary receipt form or through local clearing systems.

The Euro-clear service will complement national clearing systems. Trades with counterparts outside Euro-clear will be settled against payment through local Euro-clear depositaries and national systems in local currencies. When both sides of a trade are within the system, clearance may be against payment in any of its 23 settlement currencies.

Issues of shares using Eurobond syndication methods can be distributed through Euro-clear and the system will also clear rights issues and some depositary receipts. A custody service will handle dividend payments. Euro-clear plans an equities lending and borrowing service later this year.

Conflict on farm trade postponed

Continued from Page 1

to reduce US exports from traditional levels, the US quotas would similarly be set so as not to harm EEC exports.

"We are going to bend over backwards to make sure we only mirror whatever damage may occur," be said. He added that it was "regrettable" the EEC had not discussed the Portuguese programmes before they were announced on February 11. "It is difficult for us to reverse the train once it has left the station."

Mr Andriessen and Mr de Clercq report back today to the EEC foreign ministers and will be seeking a negotiating mandate for talks on the Spanish compensation at the Gatt in Geneva.

The Commission has already drawn up a list of proposed countermeasures if the US goes ahead with its action. The US measures in May would affect EEC apples, fruit juice, beer and biscuits – although Mr Yeutter said these would take the form of quotas and not tariffs as originally announced.

Hiram Walker bid battle set to close

Continued from Page 1

There is a real risk for Allied-Lyons, however, that it could become embroiled in a long legal wrangla to enforce the contract.

In the absence of any higher bids, Hiram has reluctantly endorsed O&Y's latest offer. A TransCanada official said the company dropped out of the bidding because "going further would mean paying a premium value" for Hiram's oil and gas assets which were of primary interest to TransCanada. He indicated that discussions with O&Y for a joint approach to Hiram had broken down.

The TransCanada bid for Hiram, withdrawn earlier last week, was priced at C$36.50 per common share, while the current offer from O&Y and Gulf is C$36 as well as C$34 for each first-class series D preferred share.

Should the two secure control of Hiram and refuse to honour the agreement to sell the drinks division, Allied-Lyons would be forced to sue in the Canadian courts for specific performance.

EEC terrorism clampdown

Continued from Page 1

In a clear message to the Reagan Administration, Sir Geoffrey also argued that the US should be constantly looking for a way of advancing the Middle East peace process. "The perception of the European countries has accorded a rather larger role to the rights of the Palestinian people to self-determination than has the US."

EEC officials say Libya is certain to be classified by the foreign ministers in the top category of offenders involved in terrorist acts.

This is in spite of Greek unwillingness to admit the strength of evidence submitted by the US, the UK and other EEC member states.

THE LEX COLUMN

The sun rises over Cathay

Climatic conditions look perfect for Cathay Pacific's stock market take-off. Unlike the Singapore Airlines share sale, which was battered by the cross winds from Pan-Electric, Cathay is being launched into a stock market near its peak. Although the largest cash call yet seen in Hong Kong at HK$1.55bn, next week's offer for sale should be comfortably oversubscribed.

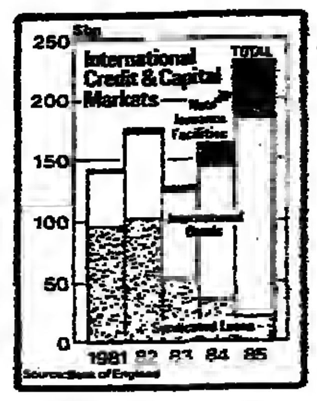
In less good flying weather Cathay's prospectus would receive a more scrupulous examination than it is likely to get when it appears tomorrow and its main use will be to guide prospective investors in other airline companies. It should remind them that airlines have high operational gearing.

In Cathay's case a 2 per cent move in passenger revenue per kilometre flown changes attributable profits by over 10 per cent. No wonder a price war in the US has had a devastating effect on airline profits.

More to the point, fuel represents a quarter of total operating costs, and a fall of US 1 cent per gallon in aviation fuel can add HK$15m to earnings. Falling oil prices are at last pulling down fuel prices, and the earnings forecast of at least HK$1bn in 1986 (up from HK$777.5m in 1985) assumes lower fuel costs and a higher passenger yield.

Earnings aside, the market price of an airline attaches a capital value to its routes and the protection afforded them. Cathay's are worth roughly HK$7.5bn on the basis of the difference between its market capitalisation and net worth. That sum is equal to total 1985 revenues.

Although Cathay has fought off some competition for routes, from British Airways and British Caledonian among others, nearly all its services are duplicated by other airlines. Cathay's fortunes are tied firmly to those of Hong Kong, and that investors have to discount – as the Hang Seng shows they currently do – a rosy future under the new regime. For Cathay they must also assume preservation of the route network when its British designation is lost. But that is a problem for 1997.



Central bankers

These are difficult times for central bankers. Gone are the days when, by totting up a few figures and checking that the sum came within certain guidelines, they could supervise the banking system and keep monetary aggregates in trim. Even the most head-in-sand central bankers have realised that banking innovations have raised regulatory problems. But they are only just seeing that these changes are also making monetary aggregates harder to measure and the conduct of monetary policy more uncertain. Little light to relieve the gloom comes from today's report of a group of their peers, sponsored by the Bank for International Settlements. It lists the problems but provides precious few solutions.

The trend from traditional lending to securitised credit, deregulation and the internationalisation of financial markets must cause distortions in monetary aggregates. But central bankers seem not to know by how much or in what direction, let alone how to adjust policy accordingly. Clearly it is harder for one country to control domestic monetary aggregates in isolation when capital is flowing fast and free across the exchanges in pursuit of higher returns, and there seem to be few hard statistics on capital mobility anyway. As a result, a move in interest rates to tighten or loosen monetary policy could have unexpected effects depending on the reaction of the external as well as the domestic sector.

The solution may be for the authorities to make more use of exchange-rate targets, a suggestion that has been resisted in the past by the UK. But the freedom to run an independent money policy is declining, and this could provide Mr Nigel Lawson with support for his new-found desire to join the EMS. He must realise, however, that greater economic interdependence between member states will require a multilateral approach to money policy if that policy is to succeed.

Within the domestic economy, the new range of borrowing methods further distorts the already failing relationship between a change in interest rates and the demand for credit. If companies can borrow long-term funds at floating rates or hedge their interest-rate exposure, what effect will a rise in the cost of money have on their capital spending plans? The BIS group found that no relevant empirical work has been done on the problem. It needs to be. If central bankers are to use the tools of monetary policy properly, they must know how they operate.

Central bankers should also worry about the effect of innovation on the strength of the banking system. Even the bankers who develop the new instruments, like modern-day Frankensteins, do not always know what they have created. Nor, in some cases, do they care, so long as they can win a competitive advantage. The more prudent do take account of note issuance facilities (NIFs), swaps and other potential liabilities in calculating their internal capital ratios, and the Bank of England has imposed weightings for off-balance sheet risks. These risks are huge. Of $75bn of NIFs arranged, only $10bn – $15bn have been drawn while the swap market is estimated at $150bn by the BIS group and more by others. Here too there is a desperate lack of information. If banks are, as the BIS report suggests, underpricing these instruments, central bankers will have to decide whether to save them from the consequences.

Ideally, the answers should be as global as the problems facing banking authorities. But moans from banks that they will lose business to their foreign competitors if a tighter regulatory system exists in only some centres should not be allowed to undermine the health of the banking system. Banks must be made to see that they are doing bad business. Borrowers should realise they do not gain by selecting the cheapest funds if the money is not there when they need it. But there is above all an urgent need for the central banks to find out what is really happening in the system and design regulation accordingly.

SECTION III

FINANCIAL TIMES SURVEY

Saudi Arabia

Despite the severe effects on the country's economy of the fall in world oil prices, Saudi businessmen are in some ways more optimistic than they were late last year and they take heart from the way their Government is approaching its problems

Weathering the storm

By MICHAEL FIELD

IN THE last six months the Saudi Arabian Government has made a more direct impact on the world economy than at any other time since it began exporting oil at the end of World War Two.

At the end of last summer, after months of making threats, it decided to abandon its role as the country that would absorb any decline in demand for oil for the sake of maintaining the prices agreed by the Organisation of Petroleum Exporting Countries, Opec. It quickly trebled its exports, from a level of little more than 1m barrels a day, and at the end of the year led the Opec campaign to recapture the oil market share that the Oragnisation had enjoyed in the 1970s.

With a third of the non-Communist world's oil reserves below its territory, Saudi Arabia has a strong interest in maintaining would demand for oil in the long term.

This year, as a result of Saudi policies, oil prices have fallen by more than half, from some $26-28 a barrel to $12-14. This has led to the biggest change in the fortunes of the industrialised countries since the radicals in Opec, dragging a rather reluctant Saudi Arabia with them, quadrupled the price of oil in 1973. It seems likely to ruin some of the Kingdom's poorer fellows in Opec.

Saudi Arabia itself may not be too badly affected by the fall in prices. Its increase in output partly compensates for the drop in price. Last year its oil revenues were $22bn, this year they might be $16-18bn.

King Fahd, who has sound political instincts, has opted to maintain salaries, subsidies and operation and maintenance spending for the benefit of the ordinary people of the Kingdom.

Last month on television he announced to his people, with tears in his eyes, that his Government could produce no Budget for 1986-87. The unpredictability of oil price and production levels would have made the exercise futile.

It emerged from ministers' statements afterwards that the Government was envisaging spending the equivalent of about $40bn, of which more than half would be drawn from domestic sources and income from the foreign assets of the Saudi Arabian Monetary Agency, (Sama). Apart from maintaining current spending this would allow the completion of construction programmes under way and might make possible a few new projects.

Spending level

The estimate may understate the true level of Government spending because there are many big state agencies, including the Saudi Industrial Development Fund, which are now wholly or partly self-financing. Clearly the brunt of the spending cuts is to be borne by the business community, which is already rich.

Both Saudi and foreign businessmen in the Kingdom are uncertain about the prospects that face them. Many say that there is still a surprising amount of business to be won, even though competition is tougher and there are no longer any great projects priced in hundreds of millions of riyals.

In some respects businessmen are more optimistic than they were six months ago. They are encouraged by the fact that the Government is at last admitting its problems.

They are also heartened by the news that Sama seems to have been able to maintain the value of its liquid foreign assets during the past year at about $70bn—a healthy figure indeed for a nation that has no state foreign or domestic debt.

Sama vigorously denies that it ran down its investment last year by $15bn. And it now seems to be accepted by even cynical foreigners in the Kingdom that it must have compensated for the Government's drawings by earning capital gains.

The banks came through 1985 with greatly reduced profits but no disastrous losses. It is still difficult for them to obtain payment of loans from defaulters, and the courts will still not acknowledge the legitimacy of any interest charge, but there is a prospect that it may soon be possible to build provisions for the arbitration of disputes into new loan agreements.

Many people in the royal family and the Government believe that the dire warnings last autumn of massive loan losses were made by bankers with the sole intention of forcing the Government to devise a system to secure their lending.

In the past six months only one more big corporate debt problem has been added to the list of seven or eight crises in major companies that have occurred since the recession began in 1982.

The company affected is Redec, the trading, contracting and real-estate group owned by Ghaith Pharaon, and its difficulties have been expected by the banks for several months.

A handful of foreign contractors have left the Kingdom, the most recent important case being the British partnership of Laing and Wimpey. Most concerns that do not have work in progress have reduced their staffs to 10 or 20 but are staying on so that they will be in a stronger position to bid when the flow of contracts is resumed —they hope in two or three years.

Apart from the possibility of a further fall in the oil price to below $10 a barrel, the main concern of Saudi businessmen is that there seem to be few opportunities for profitable investment in the Kingdom.

They cannot see how they will make money in new enterprises unless the Government can increase its spending again.

Private investors, who hold tens of billions of dollars in the Kingdom, have recently been transferring huge sums abroad. Early in March it was thought that the flow might have peaked at over $1bn a day.

It is difficult to find anyone in the Kingdom who claims that any of these developments has made the country a jot less stable.

The Saudis are an extraordinarily conformist people, possibly because of the strength of Islam and the family unit in the Kingdom. They all tend to talk about their society in the same way, normally echoing the thinking of the royal family and Government.

Where one might expect them to take for granted the progress they have made in the past 12 years, one finds that they are still impressed by their new telecommunications, hospitals, schools, roads, airline and airports.

The popular belief is that big infrastructural projects could not have continued to be built even if the money had been there — which partly ignores the broader effects of spending cuts on an economy which was driven by construction expenditure.

Many Saudis say they should be grateful for the past boom and should now learn to live in a normal economy. The slowdown will give families an opportunity to adjust to the revolution that has occurred in their lives since 1973. They can curb extravagant habits, about which most of them feel slightly guilty, and think more of their original values.

Exodus

They are delighted to see that well over 1m foreigners, out of an expatriate population that reached 3m at its highest, have left the Kingdom in the past 18 months.

An interesting side-effect of this foreign exodus and the more austere mood of the Kingdom is that young Saudis are now taking clerical and technical jobs. The Juffali group, probably the Kingdom's biggest private-sector trading and industrial enterprise, found three or four years ago that it had to enrol some non-Saudis to fill its vocational training centre. Now it has 10 times more Saudi applicants than places.

It seems that some of the young are beginning to feel that being a mechanic, electrician or clerk may offer a more secure future than working as a minor contractor or as a messenger, driver or go-between for a wheeling and dealing entrepreneur.

The Government's chief political worry this year has been external. The success of the Iranians' attack on the old Iraqi oil port of Fao and their intensified propaganda broadcasts, claiming that the Kingdom is not fit to protect the holy places in Mecca and Medina and urging the Shia population of the Eastern Province to rise against its government, worried the Saudis more than at any time since the war began in 1980.

The fear was not so much that the Iranians would break through the Iraqi lines and sweep down on Kuwait, which would be beyond their present military capacity, but that they would launch commando raids on Saudi or Kuwaiti desalination plants, or other installations, on the Gulf coast.

After the attack on Fao the foreign ministers of the Gulf Co-operation Council, which is composed of Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the United Arab Emirates, met and issued an unusually robust statement condemning Iran for refusing Iraqi offers to end the war.

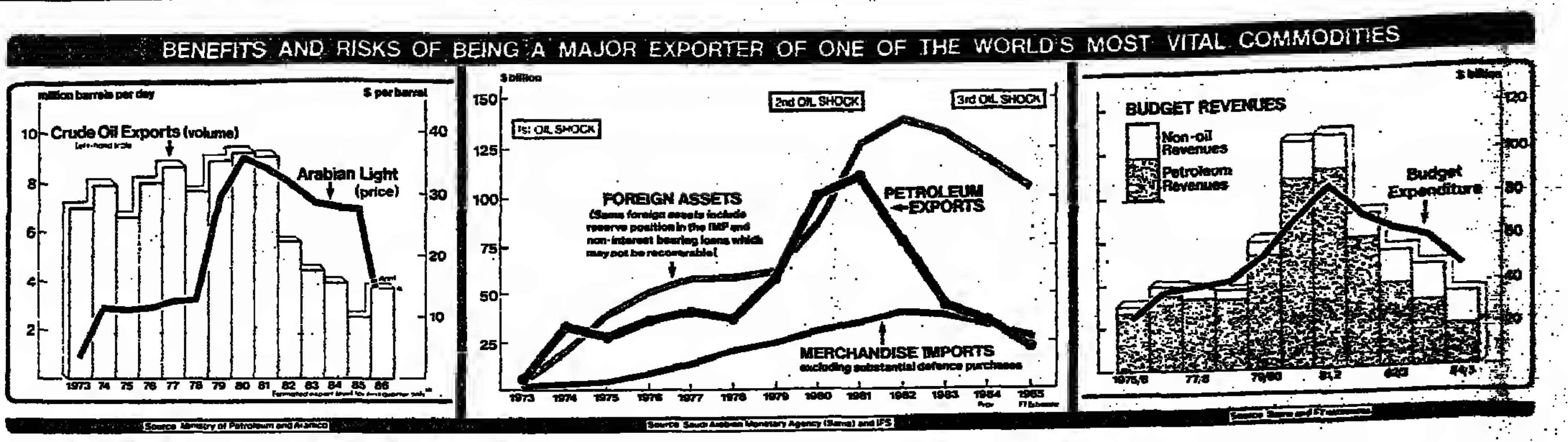
The Saudis lobbied Western governments to ask for statements of support. The most substantial response came in the form of a visit by the US Vice President, Mr George Bush, to the Kingdom earlier this month.

As it happens, in the past few weeks Saudi fears have been allayed by the Gulf war lapsing once again into stalemate, while the consensus among Western diplomats and military officers in the Kingdom is that the Saudis worried too much about the Iranian threat.

● KING FAHD (left) and his Finance Minister, Mohammad Aba al Khail: worried by uncertain oil revenues.

IN THIS SURVEY

Dependence on oil becomes major problem



The Economy
RICHARD COWPER

THE PROBLEM with a one-horse economy is that when the thoroughbred turns mulish it's no easy task to get back on the winning track.

In Saudi Arabia one single commodity — oil — has traditionally accounted for over 95 per cent of the Kingdom's exports, more than 80 per cent of government revenues and in excess of 60 per cent of gross domestic product.

In the boom years after the so-called second oil price shock of 1979-80 when the price of a barrel of Arabian light shot up from about $13 to $35 this vast desert country the size of Western Europe and home to a quarter of the world's oil reserves was awash with more money than it knew how to wisely spend. The economy raced along at a speed that left Saudis and the world agasp.

Today the contrast could hardly be more extreme, and Saudi economic planners have watched with growing dismay at what they thought was a clear winner has fallen further and further behind. The worldwide slump in demand for the country's single most important resource has brought the "real" price of oil (taking account of inflation and currency adjustments) close to pre-1972 levels and Saudi Arabia's economy has been plunged into recession, no end to which is yet in sight.

In 1986 the country is likely to experience its fourth year in a row of flat or negative growth, and in terms of GDP the economy may have shrunk to the size it was in the middle of the past decade.

The exodus of tens of thousands of expatriate workers will continue; the slump in construction will worsen; several hundred more companies may be added to the estimated thousand or so that have gone bankrupt or ceased trading; and the crisis in the banking system which has recently discovered that as much as 25 per cent of its lending might have to be put down as bad debts will be no closer to being resolved.

Last year Saudi Arabia's oil export earnings fell to $22bn, their lowest level for 12 years and around a fifth of their peak in 1981 when the country was exporting 9m barrels of oil per day.

Riyadh's decision last year to end its role as so-called Opec swing producer, a decision clearly forced upon the Kingdom by its growing inability to finance even a much lower level of economic development, could increase Saudi crude export volumes by as much as 50 per cent this year.

With spot oil prices having fallen by about 60 per cent in the past three months, however, the prospect is for a further fall in export earnings in 1986 unless there is a sharp price recovery in the autumn.

Merchandise imports fell by an estimated 30 per cent in 1985 to about $23bn—almost half of their 1982 peak—and the outlook this year is for a further decline of perhaps as much as 20 per cent.

This fall in merchandise imports—once running at a third of the value of crude exports—has done little to prevent the growth of a serious balance of payments problem, largely caused by an enormous deficit on invisibles, which in 1985 stood at about $19bn.

In 1985 the current account deficit was probably in the region of $20bn and the drawdown on reserves may have been more than $15bn. In the past three years Riyadh has been forced to raid its foreign reserves to the tune of around $40bn.

The recent history of the budget (see below for details) tells a similar story. Government spending, still the main engine of the Saudi economy, has fallen by well over 50 per cent in the past five years if defence expenditure is taken into account, while revenues have declined even more dramatically from $108bn in 1981-82 to an estimated $34bn last year. The combined deficit for the past three years was probably more than $35bn.

By drawing heavily on its large foreign and domestic reserves the government has sought to soften the blow caused by the falling price and demand for oil. But Riyadh is coming to realise that the country cannot forever go on living beyond its income.

If the price of oil does not recover and the government were to continue running balance of payments deficits at last year's level the Kingdom's official foreign reserves would all but have disappeared by 1989.

Capital costs cut

A sharper cutback in government expenditures seems inevitable and this can only add to the difficulties being faced elsewhere in the economy.

● Aramco: The nation's state-owned oil company and the single largest employer outside the civil service is continuing to cut its workforce and reduce expenditures. The company's budget for 1986 shows capital spending falling from $2.2bn last year to less than $1bn this. The Eastern Province, the centre of Aramco's operations, will be particularly badly hit by the company's austerity measures.

● Construction: Next to oil the biggest single sector in the economy, the industry is likely to shrink to even lower levels in 1986. Government expenditures on projects fell to $19bn last year according to Mr Mohammad Aba al-Khail, the Minister of Finance and National Economy, down from a high of $50bn in 1981. Last year Riyadh awarded just $4bn of new projects and the Minister of Finance says the government will not award any major new civil construction contracts at all in 1986.

● Real estate: Over 150,000 flats and houses and scores of office buildings remain empty, with little hope of finding occupants. In the past two years the value of property has fallen dramatically and this has been reflected in a 50 per cent decline in rents. According to one banker who follows the real estate sector, there is a 50 per cent surfeit of office space in the capital with large surpluses also in Jeddah and Dharran, the Kingdom's two other main cities.

● Private sector: the shake-out caused by the recession continues. In the past few years more than 1,000 small companies, many in construction and trading, have ceased their activities, while many medium size and large businesses have been brought to the verge of bankruptcy.

Hitherto highly esteemed local companies like the Ali and Fahd Shobokshi group and the Saudi Research and Development Corporation (Redec) of Mr Ghaith Pharaon have fallen on hard times. These two companies alone are finding it difficult to meet bank debts totalling around $700m.

● Banking: the near-crisis in this sector caused by the business shake-out has just about been contained. But the country's 11 commercial banks (nine of them foreign joint ventures) are estimated to have $3.6bn of bad loans on their books and the bankruptcy of one or two major Saudi companies could tip the balance.

Many Saudi ventures financed their rapid expansion in the boom years with large overdrafts or undersecured short term loans. The banks are now paying for their lack of conservative practices and some foreign partners would clearly like to pack up their bags or at least reduce their exposure in case the going gets a lot tougher.

Not a few companies are using Islamic principles in an attempt to renegotiate their loans on more advantageous terms or to avoid paying interest altogether. Others have effectively defaulted even though they might have assets salted away abroad. The whole affair is severely complicated by the fact that Saudi Arabia, the guardian of Islam's two most holy cities, relies on Muslim Sharia law and has no banking legislation suited to modern commercial industrial and investment practices.

● Foreigners: overseas companies and workers also have been hard hit by the downturn. US, Japanese, South Korean and French companies, in particular, have been affected by the reduction in imports, the decline in construction and cuts in government spending. Estimates vary, but bankers and diplomats estimate that payment delays by the Saudi government, for whatever reason, to foreign and local companies for work they claim to have been completed or for goods delivered, currently totals between $10 to $8bn.

Workers from poor Third World countries like Pakistan, Sri Lanka, Bangladesh and India, have been leaving the country in droves. In the next five years the government says it expects around 500,000 of them to have departed.

The current downturn, however, does not mean that Saudi Arabia has been catapulted right back to the starting gates. Extravagant though Riyadh may have been during the years when its star performer was out front, the government did use its windfall oil profits to lay the basis for the transformation of a poor, essentially desert trading society into a modern, well-educated and healthy nation which should carry it well in to the 21st century.

New infrastructure

The Kingdom built itself a spanking new infrastructure which has given it two of the world's largest and most up-to-date ports (40m tonne capacity), a paved road system of 30,000 kms which link all major towns and cities with dual carriageways, a telephone network of 1m lines which is perhaps more efficient than those in much of Europe, and an electricity grid with installed capacity of 15,600 MW which has helped to transform hitherto gloomy adobe villages into modern brightly-lit towns.

Perhaps most important of all in this desert nation the government has erected a system of desalination plants which has boosted the supply of water (the bottled product is more expensive than petrol) from just 50m gallons in 1980 to over 400m now.

Since 1976 the number of pupils and students in some form of full-time education or vocational training has doubled to over 2.1m, and in the past six years alone the government has built more than 30 hospitals and tripled the number of doctors to over 15,000 now. Saudi embassies abroad no longer look like hospital waiting rooms.

Nor has the recession been all bad news. Growth took place last year in petrochemicals, perfume, palace construction and defence. The nation's newly-built world-scale petrochemicals complex moved into higher gear, contributing perhaps as much as $500m to the country's export earnings, while the government placed a £5bn order with the UK for Tornado jet aircraft.


Sheikh Yamani—his most momentous year as Oil Minister since Opec declared its oil embargo in 1972

Leaner and fitter

The shake-out has also brought with it a welcome breath of competition, pushing down prices and bringing another year of zero inflation. Many Saudis argue that when the recession ends the economy will be leaner, fitter and better able to sustain itself in the longer term.

Lastly it should not be forgotten that the oil boom years transformed Saudi Arabia, with its small population of less than 10m into one of the world's wealthiest nations in per capita terms. Try as they did the government and the people were unable to spend all the oil riches that poured their way.

In addition to the government's estimated $80bn to $70bn of revenue earning, relatively liquid, foreign reserves Saudi individuals have an estimated $40bn salted away abroad.

Provided the government moves a little faster to adjust to new economic realities the fact that Saudi Arabia has no foreign debt and a quarter of the globe's proven oil reserves means that it should be better placed than any other single oil exporting country to weather a lengthy period of lower petroleum prices.

The Budget that never was

The Budget
RICHARD COWPER

FOR THE first time in the modern economic history of Saudi Arabia the government simply failed to announce a budget at all this year.

The decision to postpone it, possibly for as long as five months, was announced by King Fahd on March 10, just a day before the new financial year was due to start.

The postponement reflects the high degree of uncertainty over the outlook for government revenues in 1986-87 arising out of the sharp downward pressure on oil prices resulting from the world oil glut.

For much of the past decade petroleum has accounted for well over two-thirds of government revenues, and although it has declined steadily as a proportion of total receipts over the past three years it remains Riyadh's single most important source of income.

The Saudi budget has traditionally been fairly elastic—more a statement of broad intent than a precise forecast of actual revenues.

In a country where government expenditures account for perhaps 60 per cent of gross domestic product and public spending still provides the main engine of growth in the economy the decision not to announce a budget at all came as a shock, particularly to domestic and foreign business-men.

Most Cabinet ministers had already prepared their budget projections for the 1986-87 fiscal year starting March 11, 1986, and the last-minute postponement caught even some of them by surprise.

Speculation that the Saudi riyal was to be devalued—already rife because of the dramatic fall in oil prices—intensified and an unusually large amount of private capital leaving the country.

At the time some argued that the decision was a "failure of nerve" by the government reflecting Saudi dislike of facing up to unpleasant realities. Others suggested it was simply delayed to prevent oil exporters and importers from deducing the country's oil strategy in the run-up to the Opec meeting in Geneva in late March.

They maintained that secrecy was a valuable card up the sleeve of Sheikh Zaked Yamani, the Oil Minister, in his bid to recapture a larger slice of the world oil market, and that a budget revenue projection figure would have given away his price per barrel assumption for the coming year.

The Saudi Arabian Monetary Agency (Sama)—the equivalent to the country's central bank—moved quickly to assure the public that there would be no devaluation and called in representatives of the major banks to read what several of them say was tantamount to the "riot act."

Impact of various Oil prices on 1986-87 Budget Revenues*

Year	Average price per barrel	Revenue-earning crude exports	Government petroleum revenues†	Non-oil revenues	Total revenues
	$	m b/d	$bn	$bn	$bn
1985-86‡	27	2.4	19.5	15	34.5
1986-87	16	3.7	18.0	15	33.0
1986-87	13	3.7	14.0	15	29.0
1986-87	10	3.7	10.0	15	25.0

* This table makes the assumption that revenue-earning crude exports for 1986-87 continue at first-quarter 1986 levels of about 3.7m b/d and that non-oil export earnings remain at the 1985 level of $15bn.

† Petroleum revenues in this series take account of Aramco obligations to the Government on sales of crude, refined products, natural gas, and natural gas liquids (NGL) but do not include drawdowns of Aramco and Petromin financial reserves.

‡ Estimate for actual outcome in 1985-86.

Source: FT estimates.

At the same time Mr Mohammad Aba AlKhail, Minister of Finance and National Economy, went on television to explain that monthly government expenditures on essential items such as salaries and subsidies would continue at the same average monthly rate as in the 1985-86 financial year.

Neither move was designed to detract from the underlying message of the need for increased austerity, but they did at least give an impression that the government knew what it was doing.

Opec's subsequent failure at Geneva to agree on a formula for a share-out of decreased output meant that many Saudis came to accept that it might have been foolhardy to attempt to predict at what price oil might stabilise, if at all, and therefore what Saudi government revenues might be for 1986-87.

Even before the sharp fall in the oil price between December and March, however, the government was suffering from a growing imbalance between revenues and expenditures which, rather than resorting to borrowing (deficit financing), it felt forced to make up by substantial *drawdowns from Sama*, Aramco and Petromin reserves.

It was the prospect of this gap growing to unmanageable size that may well have provided the biggest impetus for the government's decision, made in the middle of last year, to end its role as Opec swing producer and claim a share of the world export market that reflected more closely its official Opec quota of 4.3m b/d.

The government has yet to announce actual revenues and expenditures for last year: but few analysts expect the budget deficit for 1985-86 to have been less than $10bn and some argue that it may have been over $15bn.

A detailed look at the sums suggests expenditures of around SR 170bn ($46.6bn) in 1985-86 and revenues of about SR 123bn ($33.7bn), leaving a deficit of SR 47bn ($12.9bn).

At least part of this deficit may have been paid for by raids on the reserves of the country's two national petroleum companies, Aramco and Petromin. Though no-one is publicly admitting the fact, the raids may have netted as much as SR 20bn ($5.5bn).

Of immediate concern to Riyadh, however, is the possibility that the out-turn for the current financial year might be worse. Exports of crude this year could end up as much as 50 per cent higher than in 1985 if current output levels continue. But this increase in volume has already been wiped out by the sharp fall in oil prices.

In the first three months of this calendar year, when average realised prices for Saudi crude export sales fell to less than $17 a barrel at the end of March, government revenues from Aramco sales of crude, natural gas liquids and crude were $3.1bn — roughly equivalent on an annual basis to last year's total of $19bn.

Because of time lags between sales and receipts, however, these revenues came from oil sold at a price of well over $20 a barrel. Moreover, since the end of February prices for Saudi crude exports fell even further to around $15 in early April.

If spot prices turn out to be an accurate indication, prices received for Saudi crude will fall yet further.

As the hypothetical table (above) on the impact of various oil prices on government revenues shows, Saudi Arabia may soon be forced to take a much tougher approach to protect its reserves. For example, if prices average out for the year at $13 a barrel, government petroleum revenues would fall to about $14bn—down about $5bn since last year.

If expenditures continue to run at last year's level of about $47bn — an impression the Government has worked hard to convey — the budget deficit for 1986-87 would be approaching $20bn.

Saudi Arabia is in the highly enviable position of still maintaining a substantial cushion of official useable liquid reserves. The less than conservative Saudi financial planners, however, are aware that this should not be used as an excuse for failing to put the books in order.

The Government has already made efforts to increase revenues and cut expenditures. Last year civil servants' take-home pay was cut by as much as 30 per cent, while subsidies on water and electricity were reduced.

Payments to foreign contractors continued to be delayed and few major new projects were given the go-ahead. Import revenues were raised from 2-4 per cent to between 7 and 22 per cent and charges on a whole range of government services were increased.

But there is still much economic fat that could be cut and the government may at least consider taking policy measures in these areas:

● Subsidies on food, electricity and water totalled around $1.5bn last year, while subsidised loans for housing, business start-ups and industrial projects totalled $2.5bn.

● Defence expenditures continue to make up what many believe to be the single largest budget item, accounting for perhaps 30 per cent of spending in 1985/86.

● Most Saudi companies and individuals pay no income tax at all. They are merely obliged to meet their religious obligation of contributing 2.5 per cent of their income (zakat).

● Since 1958, when the IMF had to bail the country out, there has been no official foreign borrowing whatever.

King Fahd is wary of taking any measures that might possibly give rise to political dissent. Many subsidies are therefore likely to remain, while religious objections to direct taxation might make this a dangerous pill to swallow. Foreign borrowing by the central Government would appear to be regarded as imprudent and humiliating.

The Government may, however, be prepared to consider some form of indirect taxation such as VAT on non-essential items and perhaps encourage state corporations to go to the markets on their own behalf.

For the moment, at least publicly, it would seem that the government is holding tight in the hope that Opec "comes to its senses" and that the oil price begins to recover later this year.

If prayers are not answered a vast array of Saudi civil servants may well be obliged to bring some heavy red pens into action.

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Payment delays may top $8bn

Construction contracts

RICHARD COWPER

A FAST-SHRINKING construction market, fierce competition and delayed payments for completed contracts are taking their toll on local and foreign companies alike, as the Saudi economy struggles to make the painful adjustment from boom to recession.

Hundreds of small Saudi contractors and sub-contractors have ceased trading altogether, while a number of large ones have run into serious financial problems, and several foreign companies have felt obliged to leave the kingdom accepting heavy losses.

In the public sector, which has consistently accounted for over three-quarters of the construction market, Government-project expenditures are estimated to have fallen by over 60 per cent since 1981 from around $50bn to $19bn last year.

Awards of major new public-sector construction contracts reveal even sharper declines. These are estimated to have fallen by around 80 per cent since 1982, from about $20bn to roughly $4bn in 1985.

This sharp contraction in the market has led to cut-throat competition, as companies battle to maintain market share, or simply to keep themselves in business.

With profit margins pared to the bone, a number of companies have been dealt a severe blow by delays in payments—either from the Government or its agencies, or from main contractors which themselves have not been paid.

Estimates vary, but diplomats and bankers who have followed the problem in detail suggest that payment delays by the Saudi Government, for whatever reason, to local and foreign companies for work completed or goods delivered, currently totals between $10bn and $8bn. A substantial proportion of this, they claim, has been delayed for more than 12 months.

It is difficult to obtain an exact breakdown by country or company; but it is understood that South Korean companies, for example, are owed around $2bn, US companies over $2bn, Japanese upwards of $750m, French companies over $300m; and that substantial amounts totalling several billions are due to West German, Italian, UK and Saudi companies.

The main reason for the delays, according to diplomats and bankers, has been the Government's need to cut expenditures in the face of a steep decline in oil revenues.

The fall in Government income has come too close for comfort, on the heels of what many describe as the single biggest national construction and development programme undertaken by any nation in the last 25 years.

One diplomat, not unsympathetic to Saudi Arabia over its cash flow dilemma, says:

"In the past, there were always some difficulties over payments. But today we have the normal problems coinciding with a sharp decline in revenues, and this is compounded by the fact that payments are now coming due on a large number of projects approaching completion."

Cosmetic arguments

Another, less tolerant analyst says:

"The Saudis say the project has not been completed according to specification, or they make it difficult to fulfil commitments by delaying approvals, thus raising the issue of time penalties. Requests for payments get unaccountably lost in the bureaucracy, and so on. Every kind of tricky subterfuge has been used. Their arguments are often only cosmetic. The truth is they lack the money."

The Government strenuously denies that it is operating an official policy of slowing down payments.

"We are simply asking that contractors fulfil the specifications detailed in their contracts—no more or less," says one official in the Ministry of Industry and Electricity.

"In the boom years, after the second oil price rise, contractors made enormous profits, and in the rush to get things moving we let them get away with cutting corners to an extent that would have been unacceptable to any other government."

The issue of delayed payments is a highly controversial one. It is also exceedingly complex. Some companies clearly have not fulfilled their commitments, while others may be victims of the lack of close high-level contacts—so essential for speeding up a bureaucracy whose "get it done at any cost" mentality of the boom years is over.

In addition, some ministries or agencies are better managed than others. The Ministry of Interior, Aramco, Petromin and the Ministry of Defence are widely perceived as being quicker to come up with the final 10 per cent guarantee payment (which is essentially where the main area of contention lies) when a job is satisfactorily completed. The major problem areas would appear to lie with ministries such as Education, Health, Public Works and Agriculture.

In the last couple of years a stream of ministers, senior officials and top diplomats from countries such as South Korea, the US and members of the EEC have visited Saudi Arabia in the often forlorn hope of attempting to get payments to their companies speeded up.

The Saudi Government appears to have recognised that it has acquired what some diplomats refer to as a "credibility gap." There is considerable keenness by King Fahd in particular to ensure that Government departments honour their commitments. Earlier this year the King ordered the setting up of a special ministerial committee, to review so-called "problem-cases."

Meanwhile the catalogue of companies, both Saudi and foreign, which have suffered as a result of the pressures arising out of the severe downturn in the construction market, may continue to lengthen.

● In October 1985, John Laing and George Wimpey, two of Britain's biggest construction companies, fled the kingdom because of what they claim was non-payment for work carried out by Laing, Wimpey, Alireza (LWA), their local joint-venture company. LWA's annual turnover is estimated to have been in the region of £50m.

The Saudi Health Ministry denies that the company met its full commitments on a $[illegible]m hospital contract in Jubail, or on a one-year operations and maintenance contract for two 100-bed hospitals at Midhnab and Guwaihes. Estimates of total write-offs made by the two British companies range from £16m upwards.

● In July 1985, the Ali and Fahd Shobokshi group, one of the Kingdom's most distinguished merchant family concerns, called for the continuation of a moratorium on repayments of debt to 50 banks, estimated at around $400m. Much of the debt is understood to have been incurred by its troubled contracting and trading subsidiary, the General Agencies Corporation (GAC).

In 1984, GAC found itself facing serious problems after what is claimed to have been large payment delays by the Saudi Government and its agencies.

● Soquex International, a major Saudi construction company, laid off about half of its 23,000 workforce last year in an attempt to restructure. The company's turnover has declined from over $1bn, at the height of the construction boom, to less than $300m now.

Rural electricity

● In the spring of 1985, L. E. Myers, a US company working on rural electricity work in small towns in the north of the country fled the kingdom. Losses or debts are not known.

● In January 1985, Intry, a joint venture between British companies Henry Boot and Sons and W. S. Try, put the venture into receivership, because of what they claim was delayed payments on a $20m zoo project in Riyadh. The Saudi Industrial and Commercial Projects Co (Sipco) claims that Intry left behind debts to 127 creditors totalling $4.5m.

● Carlson Al Saudia, a partnership between the Carlson group of the US and several Saudi investors, collapsed in 1984 because it claimed it was not paid for work on a $134m housing project at King Saud University in Riyadh. Carlson says it is owed in excess of $21m by the university, which claims the company left behind debts of over $10m.

In addition to these, generally well-publicised cases, hundreds of small Saudi sub-contractors have ceased trading.

Nor has the shake-out in the construction industry ended. The Finance Minister said last month that only the most essential projects will be initiated in 1986.

The steep decline in the price of oil since December, if it is not reversed, is likely to increase the pressure on the Government to reduce expenditures, and many fear that the average delay in payments arrears will lengthen further.

Shrinking construction market
($bn)

	Government project expenditure*	New contracts won: Local†	Korea‡	France§
1985	19.0	1.5	1.64	0.2
1984	25.0	4.0	3.2	0.5
1983	30.0	2.9	4.5	0.5
1982	41.0	7.0	8.3	1.8
1981	50.0	5.0	7.8	2.8
1980	44.0	3.0	5.2	1.4
1979	27.9	2.0	4.7	1.4

* Saudi Arabian Monetary Agency (Sama) estimates for actual project expenditures from 1979 to 1983. FT estimate for 1984. Ministry of Finance estimate for 1985.
† Estimates by one Western embassy.
‡ Estimates by South Korean embassy.
§ Estimates by French embassy.
■ There are no comprehensive official statistics which provide a reliable breakdown of what has been one of the world's largest construction markets for much of the past decade.
Source: Sama, embassies and FT estimates.

Bad loans and more competition

Banking

FINN BARRE

BANKERS IN Saudi Arabia are being obliged to learn the benefits of conservatism. Although the banks have reason to applaud the new realism with which the Government is talking about the economy, they are struggling with an average of 25 per cent bad loans in their portfolios, higher cost of funds, and more competition.

Foreign partners in United Saudi Commercial Bank (USCB), Saudi British Bank and Saudi Investment Bank (SAIB) did not earn dividends last year.

Saudi British posted a 9.15 per cent drop in profits. Saudi Arabia's largest bank, National Commercial Bank (NCB) said profits fell 80 per cent. USCB lost $4.65m, while SAIB lost $4.2m. All other banks saw a decline in profits.

The most serious problem for bankers is bad loans. Saudi British Bank and NCB earned respect for posting large drops in paid-out profits to strengthen reserves.

NCB made provisions of $72.8m. It had a ratio of provisions to loans and advances of 3.2 per cent. In most of the world the ratio is around 1 per cent.

A look at last year's NCB ratio — 2.1 per cent — shows how the problem has grown worse. Saudi British made provisions to loans and advances of 2.9 per cent. Last year, the ratio for Saudi British was 1.9 per cent.

SAIB's provision this year gave a ratio of 3.3 per cent.

Other banks made smaller provisions. Saudi American Bank (SAMBA) had a ratio of 1.9 per cent, while Al-Bank Al-Saudi Al-Fransi (Saudi French) set aside only enough for a ratio of 1.27 per cent. The question that most bankers have is whether Saudi French has that much better a portfolio of loans than everyone else. Some bankers argue that variances in reporting permit the camouflaging of true portfolio conditions.

Businessmen and bankers say the problem is not simply a matter of loans going sour, which is to be expected in any economic downturn, but the utter inability banks have of taking collateral.

This is due to the fact that, although 11 commercial banks operate in the Kingdom, their interest-based business conflicts with Saudi Arabia's Islamic (Sharia) law. The Saudi religious and legal establishment, the Ulema, has repeatedly issued fatwas, or rulings, stating that the taking of interest is forbidden. Some Islamic scholars argue that God, through the Prophet Mohammed, was banning Usury (the taking of excessive interest, not all interest), but that line of thinking is rejected by the Ulema.

Because of this, the Sharia courts give banks short shrift. Court rulings vary, depending upon the judge (there is no concept of precedent in Sharia law); but any attempt by a bank to collect interest is doomed, although collection of principal is possible. Bankers recall rulings where a Saudi taken to court for non-payment not only has won on the loan in question but has obtained a court order for the return of all interest paid on past loans as well.

New regulations

Bankers also know that even a favourable ruling is hard to enforce. Seizure of assets is difficult and time-consuming, though new bankruptcy regulations issued by the Ministry of Commerce should streamline the procedure somewhat. Consequently, banks avoid courts, even though up to $3.56bn of questionable loans hang in the balance.

Arguments on this topic seldom connect. Saudis argue that bankers were happy to extract high interest while taking non-interest-bearing deposits during the boom years, and should therefore accept a certain amount of non-payment. The banks complain that many Saudis are shirking their moral responsibility to repay loans.

The bankers want clarification of their legal status, but they are likely to remain in limbo. The Government is caught between its desire to strengthen the banks and the necessity of maintaining Islamic laws.

Why bankers appeared to ignore the technical illegality of interest is a question best answered by looking at management contracts. Foreign bank managers usually come to the Kingdom on limited multi-year contracts. Past managers may have made loans in the comfort of knowing that, if a crunch came, they would be gone. Their successors would have to pick up the pieces. Add to this that bankers were as guilty as other businessmen of expecting the boom to continue forever, and did not consider that debt repayment would become a problem.

Both the banks and the Saudi Arabian Monetary Agency (SAMA) are adapting to the new situation.

SAMA appears to be trying to establish some sort of mechanism for collecting debts. It has strengthened its arbitration board, which has a royal mandate that gives it legal status. SAMA is asking bankers to put clauses in loan agreements binding both parties to go before the board in the event of a dispute. The banks hope that in this case, a Sharia judge will tell the plaintiff that he knew what he was doing when he signed the loan and must submit to impartial arbitration.

This sounds good, but awaits the test under fire in court. In the past the courts have normally sided with plaintiffs who have knowingly signed non-Islamic loan agreements. Given their experience, the banks are playing this new legal manoeuvre very cautiously.

SAMA has implemented other improvements. In 1985, it began requiring banks to report non-performing loans. Previously there was no compilation of bad loan risks. Even now, no establishment of a credit bureau will be countenanced.

In the absence of callable guarantees for bank loans, credit is becoming difficult for Saudi businessmen. Those that suffer most are the middle-size businessmen. The larger firms can go abroad.

However, the dividing line between healthy and troubled companies is not how big they are, but how quickly they expanded. Those that expanded rapidly, by taking on higher debt in anticipation of continued high revenues, are suffering. More conservative firms are weathering the storm rather well.

The banks now require stricter documentation from every customer. Most want to see foreign assets put up as collateral. A change in Government policy appears to reverse a ban on taking mortgages.

The banks have also sought to improve their position by offering Islamic banking products. All of the banks satisfy customers' religious qualms about accepting interest on savings accounts by offering offsetting services such as no-cost overdrafts, or concessionary foreign exchange rates. SAMBA is considering a move into Islamic consumer finance by purchasing cars and selling them back to customers on an instalment payment plan. Profit would be made by a mark-up on the price, not by interest. Saudi British Bank has unenthusiastically made some Islamic loans.

Low-cost deposits

Dropping loan profits have driven Saudi banks into competition for low-cost deposits. Most banks opened branches to emphasise retail banking, which has led to criticism that some parts of the Kingdom are overbanked. USCB, when it began operations in 1983, rapidly opened 11 branches to grab market share. Its subsequent losses have led critics to say it should have placed most of its money outside and earned a safe profit.

SAIB and USCB benefit greatly from SAMA support in the form of Government deposits. But one of the worrying developments during the projected two-year business shake-out is the status of joint-venture banking partners.

The British Bank of the Middle East, Saudi International Bank, Banque du Liban et d'Outre Mer, Bank Melli Iran, United Bank of Pakistan, Chase Manhattan, Commerzbank, Industrial Bank of Japan, and J. Henry Schroder Wagg, which are shareholders in Saudi British, USCB and SAIB, all ended the year with no dividend. Shareholders in SAIB and USCB have gone without dividends for two years.

The management contract is up for renewal at Saudi French Bank. Other contracts will be up this year at SAIB, Saudi British and Al-Bank Al-Saudi Al-Hollandi.

Many joint-venture partners would prefer to re-deploy personnel in more lucrative markets. The Saudi industrialist, Suliman Olayan, chairman of Saudi British, countered Saudi criticism of the slow pace of Saudisation at the bank.

He stated that he had had to talk BBME into keeping more of its personnel in the Kingdom for the sake of their expertise, even though the foreign bank had wanted to move its people to other locations.

Riyadh's multi-billion dollar poker game

Oil Strategy

RICHARD COWPER

WHEN THE Saudi Arabian Supreme Petroleum Council, chaired by King Fahd, decided last June to alter radically its traditional international oil policy by abandoning its former role as swing producer the Kingdom set the scene for what has turned into multi-billion dollar poker game in which Saudi Arabia still believes it holds most of the aces.

The decision, which followed a growing slide in oil prices on the international market, heavy pressure from the country's four Arabian American Oil Company (Aramco) partners and a looming budget and balance of payments crisis at home, was perhaps less a gesture of annoyance with the country's "cheating" Opec partners than an acceptance of economic reality.

In a world where supply was in excess of demand by over 2m barrels a day (about 10 per cent of internationally traded crude) it had become clear to Riyadh that it could not forever continue defending an official price of $28 unless it was prepared to see its exports disappear altogether.

Market share

In July most of the world, including members of the Organisation of Petroleum Exporting Countries (Opec), ignored the increasing number of signals coming out of Saudi Arabia that the cartel's hitherto dominant partner was no longer content to sit passively on the sidelines watching its share of the world market wither away.

In August, as Saudi production sank to 2m b/d, its lowest level for 20 years, the Kingdom entered into negotiations with its four Aramco partners — Mobil, Chevron, Exxon and Texaco—to work out a market-related formula that would price its oil at a level to enable it to push exports back up to about 3.6m b/d and production to around its notional 4.35m b/d Opec quota.

The result, as announced last September by Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, was the so-called "netback" deal. As explained by Mr P. F. Holmes, Group Managing Director of Shell, this works by taking the "values of a predetermined mix of products in the market place, according to published statistics 40 or 50 days after the crude is lifted and aggregating them on a weighted basis to give a value for that crude. From that value is deducted first the tanker transportation cost; and second the refiners fee."

The first netback deals for 850,000 b/d, negotiated to start last October for an initial period of six months, coupled Opec's leading producer and refiners together in a way that had not been the case for over a decade.

The deals were highly attractive to customers for three main reasons. First they ensured a market-related price for Saudi crude. Second they guaranteed supply for at least half a year. Lastly, and perhaps most enticing of all, they offered refiners a guaranteed margin of profit at the end of the day regardless of changing market circumstances.

Needless to say there was an unholy rush to Saudi Arabia's door and the outcome was a whole string of additional netback arrangements, the first of which have now been renegotiated for a further six months.

Saudi Arabia's decision to place an extra 1.3m b/d of crude on an already saturated world market and the manner in which it achieved it was an open declaration of war aimed not so much at low-cost Gulf exporters but high-cost producers in the North Sea and the US, which would now have to compete with guaranteed supplies of oil from a country whose costs of production were less than $3 a barrel.

The initial impact of the dozen or so netback deals signed by Saudi Arabia was limited because of the 40- to 50-day lag and the fact that the move coincided with peak winter demand. By December Saudi netback prices were still hovering in the $28 to $27 range.

But when the world fully woke up to what was happening at the beginning of the year (cargoes of North Sea crude were cruising around without a buyer) and the rest of Opec showed no sign of reining in production to accommodate the Kingdom's increased output, the market began to go into free fall.

In the space of less than three months spot prices of Brent and West Texas Intermediate fell by over 65 per cent to a low of under $10 per barrel in early April after the Geneva Opec meeting broke up in disarray.

In September Sheikh Yamani had publicly declared that he was willing to see prices fall to between $18 and $15 to ensure that Saudi Arabia achieved its main policy objectives. These are:

● To recapture for itself a sizeable share of the world market to ensure its own short and long term economic goals. Saudi Arabia's share of internationally traded crude fell from 25 per cent in 1979 to about 10 per cent last year.

● To force Opec and at least some non-Opec exporters to limit production during the current period of oversupply in order to enable producers, not consumers, to remain in the driving seat. This would ensure that the oil producers continued to make extraordinary profits by comparison with other industries or commodities.

● To revive world oil demand by ensuring a more "reasonable" price for a commodity world, demand for which has fallen by almost 15 per cent in the last six years.

It is doubtful, however, whether even Sheikh Yamani could have predicted just how far and how fast oil prices would plummet when the country's change of strategy was agreed last June. Be this as it may few doubt the country's capacity or determination to see the poker game to its disturbing and enthralling finish.

Around the tanle are placed an array of players whose vital interests and capacity for staying in the game to the bitter end are at considerable variance.

Small stakes

Highly indebted oil-exporting nations like Nigeria, Indonesia and Mexico have hands so poor and stakes so small that they run the danger of being knocked out in the early rounds as their capacity to repay their debts disappears altogether.

Others like Iran and Libya may hold a couple of wild cards in the form of a dangerous military adventure but in the event they are likely to be forced to sit on the sidelines as the main players battle it out.

Exporters from the Gulf Co-operation Council (GCC) like Kuwait, Oman, Bahrain and the UAE would seem to have little choice but to follow the lead of Saudi Arabia, their giant neighbour and dominant partner.

For the moment at least the three players at the centre of the game would appear to be. North Sea and US producers. Saudi Arabia and what might be loosely referred to as Market Forces.

Saudi Arabia made the opening move when it dumped 1.3m b/d of extra oil on an already saturated market towards the end of last year. Market Forces took the second round when it pushed the price of oil to a third of its previous value, collecting for the non-oil producing industrialised countries more than $100bn in extra resources.

US and North Sea producers have seen their stakes sinking to ever lower levels as they are pushed ever closer to marginal costs of production, but have little choice but to try and stay in the game.

Saudi Arabia, with over $70bn in liquid foreign assets, a quarter of the world's proven oil reserves and a production capacity of 12m b/d to play with has not been stung as hard as some might think. The 50 per cent or so increase in Saudi exports has gone some way towards offsetting the fall in the price of oil, and there is no sign that Riyadh is willing to call it a day.

Indeed it is still hoping that Opec and other oil producers will see sense and decide that it is better to run an effective cartel which in the past guaranteed prices at up to 10 times the cost of production, than allow market forces to dictate a price for oil more closely related to the cost of getting it out of the ground.

For the immediate future therefore the multi-billion dollar poker game, in which he who blinks first loses, continues and no-one can be certain of the outcome.

Aramco Trims its Sales

	1983	1984	1985	*1986
	$m	$m	$m	$m
Gross revenues†	43,351	35,290	25,908	22,240
Operating costs	4,578	4,297	3,781	3,315
Gross profits‡	38,773	30,993	22,127	18,926
Government obligations (tax)	35,340	27,466	18,500	17,900
Income	3,433	3,527	3,527	1,025
Capital expenditures	3,341	2,813	2,185	965

* Budget projection approved in December 1985 before the sharp fall in oil prices, though this appears to have been at least partly taken into account by the company's forecasters.
† Gross sales include earnings from sales of crude, natural gas liquids, refined products and dry gas.
‡ This does not take into account interest earned from sizable company reserves, or sale of company assets if any; nor does it take into account depreciation.

Source: Aramco

Reductions in Aramco Manpower

	1982	1983	1984	1985	*1986
Saudis	33,067	34,226	34,822	33,382	33,533
Expatriates	24,010	21,433	23,333	18,209	16,248
Total	57,077	55,659	58,155	51,591	48,781
Man-hours on project work	—	2.75m	2.75m	1m	250,000

* Budget projection for 1986, made in December 1985.

Source: Aramco

Aramco Production

	1985	1984	1983	1982
Crude oil (m b/d)	3.3	4.4	5.0	6.8
NGL (000 b/d)*	316	356	329	430
Dry gas (bn btu a day)	1,901	1,623	1,445	1,582

* Crude production includes crude used by Aramco for own purposes. It does not include Saudi Arabia's half-share of production of the neutral zone, the Saudi side of which is worked by Getty Oil and the Arabian Oil Company (AOC).
† NGL (natural gas liquids). These comprise propane, butane and natural gasoline. Over 95 per cent of NGL output is exported.

Source: Aramco

Aramco faces up to lean times

WHEN ARAMCO, the world's largest and perhaps most secretive oil production company, sneezes the rest of Saudi Arabia catches a cold.

Today, however, Aramco is suffering from something more akin to bronchitis and this has propelled the country into recession—hardly surprising given Aramco's predominant role in a nation still largely dependent on petroleum for its economic health.

Aramco produces over 90 per cent of Saudi Arabia's crude oil (currently running at about 4.8m b/d if the neutral zone is included) and almost all its useable natural gas while it operates about one-third of the country's 1.4m b/d refining capacity.

The company also markets most of the country's crude and natural gas liquids (NGL) exports, and operates a gas collection system, the largest of its kind in the world, to provide the gas feedstock for Saudi Arabia's newly built world-scale petrochemical industry.

It is Aramco which is charged with operating the 1,200 km long East-West crude pipeline that runs from Abquaiq on the Gulf of Yanbu on the Red Sea.

The company also holds over 95 per cent of Saudi Arabia's proven oil (169bn barrels) and gas (127 trillion 1million cu ft) reserves most significant of all Aramco provides Riyadh with between 90 and 70 per cent of its budgetary revenues and the nation with 95 per cent of its exports.

Aramco's books therefore read remarkably like the national accounts, and for the moment at least these make depressing reading. The company's sales, which include crude oil, natural gas liquids, refined products and dry gas, have slumped from a peak of $110bn in 1981 to just $26bn last year.

Like any well-managed multi-billion dollar company Aramco has been quick to attempt to cut out the fat. It has sharply reduced expenditures by laying off staff, cancelling major projects and reducing exploration and development to the minimum.

Between 1983 and 1985 Aramco trimmed operating costs by 17 per cent to $3.8bn. To do this it cut its workforce by 10 per cent to 51,591 and replaced over 1,000 high-salary Americans with Saudis and cheaper expatriate experts from elsewhere, notably the UK.

It also moved to cut back on "social expenditure" such as free house loans, schools and health — all of which have come to account for sizable proportion of recurrent expenditure.

Last year the company sank just eight exploratory wells, down from 13 in 1984, while seismic activity was cut to "a token presence." For perhaps the first time in 50 years the company may have discovered less oil than it produced last year.

Capital costs cut

Capital costs have been reduced even more sharply than current expenditures. Since 1983 these have been cut by almost 35 per cent to under $2.2bn last year. This was achieved by the cancellation of ambitious new social spending schemes and the axing last year of two new refineries which together would have cost up to $6bn to build.

The third phase of the Master Gas collection scheme is being slowed down.

Many had argued, even at the proposal stage, that neither of the refineries made economic sense. But the decision to cancel the one at Qasim to the north of the country took considerable courage. Bechtel had already done most of the design work, the foundations had been laid and a lot of equipment was already on site.

The cost to Aramco in the form of payment for work done, equipment ordered, contracted staff sent home and penalty payments was well over $1bn. Many less brave and astute developing countries might have baulked at the embarrassment.

The greatest savings from the cancellation of these two projects will come this year, however. As the company's budget forecast prepared in December shows, capital expenditure is set to fall 56 per cent in 1986 to $965m. A further reduction in staff will help to cut operating expenditures by 12 per cent to $3.3bn.

One oil executive who has a close relationship with Aramco says operating cost savings coupled with an expected 1.2m to 1.4m b/d increase in output should help to bring down Aramco's cost of producing a barrel of oil from $2.63 last year to almost $2 in 1986.

These savings may not be enough to prevent the company from recording a book loss this year, however. In December the company was forecasting income (without allowing for depreciation) on sales of $22bn for 1986, but this was before the sharp price slide which has seen returns on Aramco crude sales fall by 50 per cent in the past three months.

As a result Aramco may well be forced to dip into its much depleted reserves to finance planned capital expenditures of $965m this year.

Just how much Aramco has left in its coffers is a closely kept secret, but insiders say the large reserves accumulated during the boom years after the second oil shock of 1979 have largely gone.

This is because of the high cost of building the Master Gas System (estimated at about $20bn) and last year's raid by the government (put by some at $5.5bn) to help to finance its budget deficit.

Already this year the Minister of Finance has again attempted to relieve Aramco of some of its remaining reserves, but arguments that this would not leave "enough to keep the company running safely" seem to have won the day.

Meanwhile, the Arabian American Oil Company (Aramco), much of whose day-to-day management is still in the hands of expatriates employed by Aramco Delaware (a US-incorporated company owned by Mobil, Exxon, Texaco and Chevron) is, like the rest of Saudi Arabia, keeping its fingers crossed that some time within the next 12 months or so crude prices will be back to $20 or more.

Richard Cowper

Michael Field describes how the south-western provinces are suffering less from the recession and how irrigation and desalination schemes are helping agriculture

Business holds up in south-west

THE SOUTH-WESTERN provinces are suffering less from the recession than the big towns. Like the other provinces they have relatively unsophisticated, partly tribal populations which are important constituents of the royal family.

Moreover, the development boom began in the provinces in about 1981—six years later than in Jeddah, Riyadh and Dammam areas. Many big construction projects are still under way.

The electrification programme for the many villages of Asir has at least two years to run and, on a bigger scale, the project to bring desalinated water from the coast north of Jizan town to feed Khamis Mushait and Abha will not be finished until next year.

One purpose of this project, which involves pumping water to a plateau 3,000 metres high, is to supply Abha and Khomis Mushait (as well as Jizan) with desalinated water so as to make more local wells available for agriculture.

The south-west has a reputation in the Kingdom for being green and fertile, but in reality it is much drier than the glossy picture books suggest. Jizan and Asir receive two periods of rainfall, in the spring and late summer, but the amounts and duration of the rains vary greatly from year to year.

Agriculture depends on shallow wells replenished by rain and operates on a much smaller scale than in the centre of the Kingdom. There are none of the big wheat-growing schemes one sees around Kharj, Buraidah and Hail. In the south-west most farming is still on an owner-cultivator basis, whereas in the centre agriculture is run as big business.

The main attraction of the southern provinces as markets is that they have about one-third of the Kingdom's population. Najran has only about 250,000 people, but Asir is thought to have nearly 2m and Jizan nearly 1m.

This region is a good market for foodstuffs, consumer goods and construction materials. In the towns and villages there is still much house-building. Bankers in the area have far fewer bad loans than those in the big centres and estimate that they have five years' growth of business ahead of them.

To some extent the region's trade is being stimulated by the new port at Jizan, completed in 1983. So far the port has not been busy. It is capable of handling 13 ships simultaneously but at present it is receiving no more than five or six a month.

But it has encouraged businessmen in Khamis Mushait to begin importing directly from Europe, while the big Jeddah and Riyadh-based car importers are using Jizan to send supplies to their south-western distributors.

What the port has not yet done is to encourage the merchants of Jizan to begin importing to sell in Asir and Najran. They prefer to do business only with their own province and with north Yemen.

ASIR

Governor: Prince Khaled al Faisal al Saud.

Chamber of Commerce: P.O. Box 722, Abha. Tlx 901125. Tel (07) 224. 9480/8.

Hotels: Intercontinental, at Souda, 25 kms outside Abha. Tlx 901201. Tel 224. 7777. Good view. Price of single room in winter SR 170, in summer SR 368 inc service. Bouhaira, in Abha. Tlx 901006. Tel (07) 224. 6458/9/81. Good, friendly Lebanese hotel. Single room SR 230 in winter, SR 276 in summer. Khamis Frantel, in Khamis Mushait. Tlx 906122. Tel (07) 223. 3466. Single room SR 220. As good as the major hotels in Riyadh.

NAJRAN

Governor: Fahd bin Khaled Sudairi.

Chamber of commerce: P.O. Box 1138, Najran. Tlx 921061. Tel (07) 522. 3739.

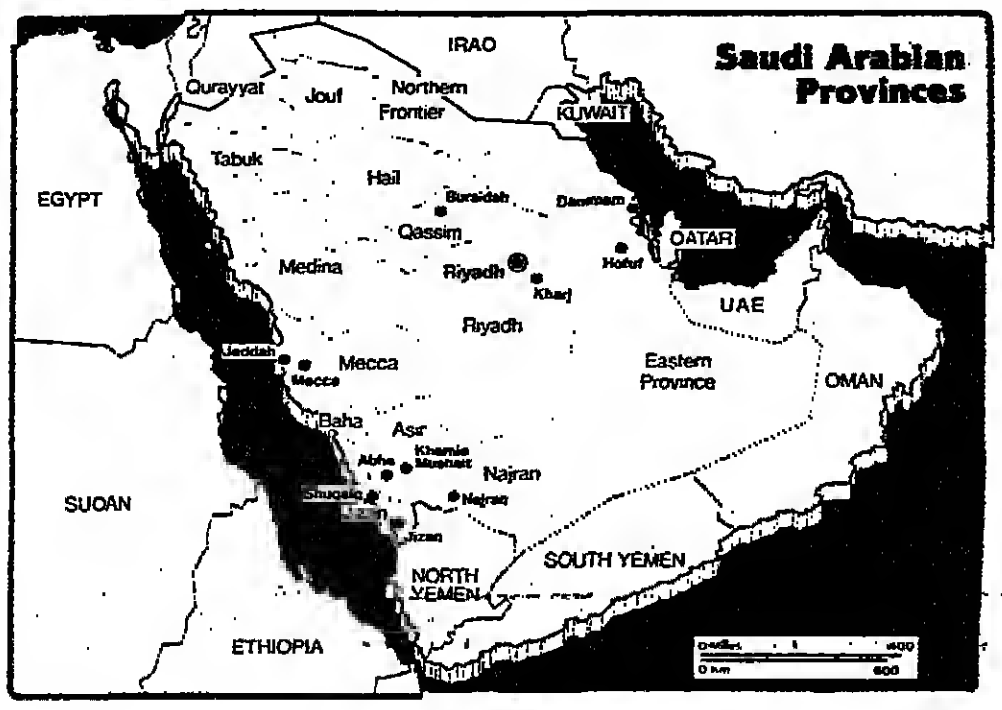
Hotels: At present there are no good hotels in Najran, though two are under construction. The existing hotel is the Najran, in a converted house. Tel (07) 522. 1750/1949. Single room SR 60. The hotel is a bit rough, but not unpleasant.

JIZAN

Governor: Mohammad bin Turki Sudairi.

Chamber of commerce: P.O. Box 201. Tlx 911065. Tel (07) 322. 1759.

Hotels: Hyatt, near the port. Tlx 911024. Tel (07) 322. 1055. Single room SR 200.



Jizan

JIZAN is the most surprising part of Saudi Arabia. The province is flat sand and gravel terrain along the coast of the Red Sea.

It is more like part of Eritrea or Somalia than of the rest of Saudi Arabia. The people are black and, until they began moving into modern dwellings, they lived in beehive huts. The plain, covered with thorn bushes and acacia trees, hung with the nests of yellow weaver birds, stretches to the foot of the Asir escarpment.

From near the coast there is a beautiful view of pinkish scrubland dominated by distant blue mountains.

Like Najran, Jizan is frontier country. Yemenis visiting the governor's offices have to leave their daggers in the entrance hall. (Their guns they leave in Yemen.) As in Najran the local merchants conduct a lucrative trade with Yemen, while Yemenis are allowed into the province, without passports, to buy domestic supplies.

The most obvious development potential of the area is in tropical agriculture. The small farmers grow maize, sorghum, millet (in small quantities) and sesame. Experimental farms in the Wadi Jizan are growing tropical fruits, including pineapples, bananas, mangoes, pawpaws and guavas.

It is hoped that when cultivation begins on a large scale processing and canning factories will be started. Both the farming and industrial parts of the project may come under the auspices of the Jizan Agricultural Development Company, a public concern established with the support of the provincial governor.

Traditional agriculture in Jizan relies on flooding, for a single watering of the fields provides enough irrigation for three cuttings of fodder crops.

Fifteen years ago the Jizan dam was built to regulate the waters in part of the flood area. The dam, the second biggest in the Kingdom, has much the same purpose as the dam in Najran except that it releases water not just into the wadi but into a network of irrigation canals.

Some of the major civil and industrial projects of Jizan—the port, airport, cement plant and eleven hospitals — are completed. Still being built are two major roads, a SR200m sports stadium, a village electrification programme and a major desalination plant at Shugaiq.

A project to move the entire town, which is built on salt domes, was abandoned two years ago. Now the municipality is buying houses that are showing signs of collapsing and giviog the occupants land to the north or south of the town. So far some 370 families have moved.

Asir

THE PROVINCE of Asir, a high, populous plateau broken by hills, is a provincial business centre on a scale almost comparable to Qassim, the big agricultural region 125 miles north of Riyadh.

The provincial capital is Abha, which has the Governor's offices, the regional headquarters of the banks and ministries and the chamber of commerce. It is probably the cleanest and most attractive town in the Kingdom, with flowerbeds nf geraniums and nastursiums and a backdrop of mountains.

Just outside the town is the Asir National Park, the brainchild of the province's energetic governor, Prince Khaled al Faisal. The view over the edge of the escarpment towards the south-west, which is the principal feature of the park, is the most spectacular in Saudi Arabia.

In summer Abha ottracts many Saudi tourists. A few of them own houses in the town, though most stay in apartments and hotels. Despite the recent opening of an Intercontinental, hotel accommodation is still rather undeveloped.

Twelve miles Inland from Abha is the larger town of Khamis Musbait, which, like Tabuk in the north of the Kingdom, was created by the Saudi army. On the eastern edge of the town is one of the biggest military cantonments in the Kingdom.

Khamis, which is not a particularly attractive town, is the business and light industrial centre of the provioce. Most of the big Asiri trading houses are hased there.

The main economic activities in the province are construction and agriculture — fruit and vegetables and poultry and dairy farming. A few farms are leased to Saudi-foreign commercial farming companies and more such joint-ventures would be welcome in the area.

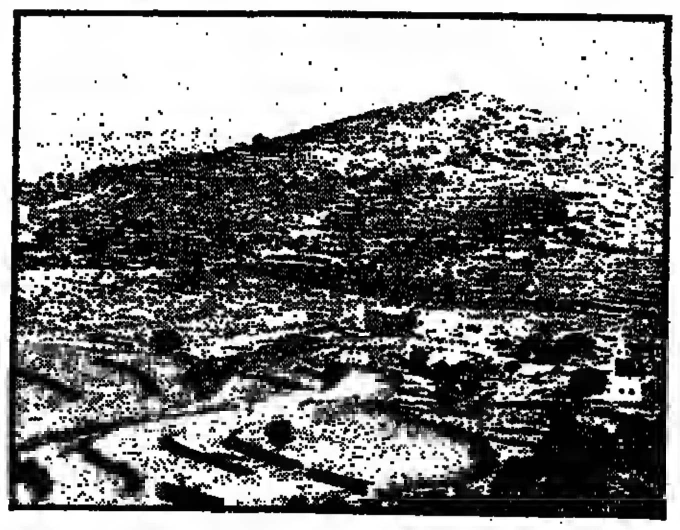
Asiri merchants have bigger businesses and are more sophisticated than those in any other provincial area except Qassim. The leading local firms, Yahya (in Abha), Mobty, Ghunim, Gbamdi and Mushait (the family that provides the town governors of Khamis Musbait), do much of their business directly with manufacturers outside the Kingdom.

The Mobty company, which is mainly in contracting, and one or two other concerns have agency arrangements with foreign companies.

In the past three or four years many more small industries have set up in Asir and there is a plan for the construction of an industrial estate of the type that exists outside the main cities and on a smaller scale near Hofuf, Buraidah and Mecca.

Land has been allocated to the estate and a construction plan has been drafted, but work is not expected to start until later this year.

Meanwhile, the chamber of commerce is encouraging businessmen who have industrial licences to wait until space on the estate is available and not build their factories in the workshop areas outside the towns or on land they have purchased themselves.



Terraced hillsides in Azir, a centre of traditional small-scale agriculture

Najran

TWENTY YEARS AGO, during the Yemen civil war, a British diplomat was sent from Jeddah to Najran to report on the effects of the recent Egyptian bombing of the town.

He went to the majlis (council chamber) of the governor, the mighty Khaled bin Ahmed Sudairi, to inquire. "Bah!" scowled the amir. "The bombs were of inferior Russian manufacture and half of them did not go off."

At this point the amir made a signal and four sweating servants staggered in carrying an unexploded 500 lb bomb. They dropped it at his feet and to show his contempt the amir kicked it.

The diplomat, whose attitude to bombs was less casual than that of the Najranis, recommended that they dig a big hole and drop the bomb in it. When he got back to Jeddah he told the Saudi security service to send a team to blow it up.

Since this episode Najran has become quieter, though it is still very much a frontier province. The present governor, Khaled's son Fahd, says that he had to be "quite severe" in the early years of his governorship.

There is still much smuggling of consumer goods into Yemen and a certain amount of arms and alcohol comes north. The smugglers' routes cross either the Empty Quarter "Sea of sand" or the wild mountainous area in the west of the province, where the land rises towards the Asir plateau.

Yemenis from the frontier areas are allowed into Najran without passports, for medical treatment, and to buy limited amounts of subsidised Saudi petrol and food. Violence and lawlessness have declined greatly with the development of the province over the past four years.

Most of the major projects scheduled for the province have been completed. Najran has an excellent hospital, a big new power station, a vocational training centre, dairy farms and mineral water plants and an extensive road network.

The Najran dam, the biggest in Saudi Arabia, protects the Wadi Najran from flooding and slowly releases the water it stores to allow seepage into the bed of the wadi to recharge the farmers' wells.

Wadi Najran, the main oasis between the mountain and sand sea parts of the province, is where the bulk of the population lives. The fertile soils of the wadi — of silt brought down by centuries of floods — grow excellent fruit and vegetables. Farms are family-owned and assisted by a co-operative.

The traders of Najran have been less adversely affected than one might expect by the completion of work on the major projects. From a third to a half of their business depends on exporting goods — legally and illegally — to Yemen.

Tariffs, shipping costs and falling naphtha prices mean that the battle to obtain a market share for Saudi petrochemicals, some of which account for 30 per cent of the world traded market, will not be easy

Dangers of a price war

Petrochemicals

RICHARD COWPER

THE GLOVES are not yet off in Saudi Arabia's struggle to secure for its nascent world-scale petrochemicals industry a firm foothold on international markets.

But with a new mood of aggression on oil policy in Riyadh, and continuing protectionism in Europe and the US, some fear that Saudi Arabia may feel obliged to launch a petrochemicals price-war later this year so as to off-load its products on to an already saturated world market.

A total of about $40bn has been spent to date in launching an industry capable of producing 4.2m tonnes of ethylene or ethylene-based derivatives and nearly 1.4m tonnes of chemical grade methanol.

Around $8bn went on the new city of Jubail, where all but one of the seven plants are situated. Another $20bn has been spent on the first two phases of the so-called Master Gas (MGS) collection system, which provides the industry with its gas feedstock, while the plants themselves are estimated to have cost a total of up to $12bn.

The Saudis could hardly have chosen a more difficult year to come on full stream, however. World market prices for many of their products are at their lowest level for years, while the sharp fall in the price of oil has given producers in one of their main target markets—Europe—a sharp competitive boost that will make it considerably easier to fend off a Saudi assault.

Unlike the Saudi industry, which relies on natural gas for its feedstocks, European plants depend mainly on naphtha, the the main ingredient of which is oil. The 60 per cent fall in crude prices since January has halved naphtha prices and when this works through the system over the next few months this should translate into a 15 to 20 per cent reduction in overall costs for European producers.

Even before the slide in naphtha prices Saudi Arabia was obliged to reduce its prices to Europe by around 13 per cent because of tariffs, which the EEC was quick to impose on Saudi chemical products from the very beginning of this year.

Add to this the cost of shipping the chemicals to Europe and it becomes clear that the battle to obtain a market share for Saudi petrochemicals, some of which account for as much as 30 per cent of the world traded market, will not be easy.

Nor has Saudi Arabia much scope for cutting costs. The gas feedstock is already provided at a rockbottom price of 50 cents per million British Thermal Units (BTU), while the industry's cost structure—almost the exact reverse of that of the EEC—is 70 per cent capital and 30 per cent operating costs.

For technical reasons most Saudi plants have to run at or near to full production (five of them are currently operating at 75-85 per cent of capacity, and two at 100 per cent) and because the only way to cut unit costs is to produce flat out, everyone in the industry agrees that Saudi Arabia is unlikely to limit output.

Perhaps as much as 50 per cent of production is finding a relatively attractive market in Japan and the Far East, where outdated plants have been closed down in anticipation of the Saudi arrival on the market. But this still leaves a vast quantity of products looking for buyers in the EEC, the US and elsewhere.

Saudi Arabia continue to insist publicly that it will not be a "disruptive force" on the world market, but in the present circumstances many find it difficult to foresee just how the Saudis can sell their products without slashing their prices.

The country has everything to fight for. It has in place the most modern and potentially efficient industry in the world and limitless supplies of cheap feedstock which in the mid to long term is bound to pay off.

One official in the Saudi Ministry for Industry says: "I think there is going to be a very bloody battle on the world chemicals market. Saudi Arabia cannot afford to shut down, and in the long term it has got a lot to win. It is a battle that could mean heavy losses in the short term."

Not surprisingly, few of the country's seven plants, six of which have foreign joint venture partners, are likely to make a profit this year. Most financial analysts expect five of them to lose money, with perhaps two breaking even or making a tiny profit.

Meanwhile, five second-phase petrochemical plants, estimated to cost about $700m and producing a total of 1.7m tonnes of chemicals, are now either under construction or in the final stages of tendering. Most of them are expected to come on stream in 1987 and 1988.

In addition, eight other plants, which together would cost up to $1bn to build, are now under consideration for the third phase of the country's petrochemical programme.

Decisions to go ahead with some of these plants are likely to be reached later this year.

Only the most pessimistic could fail to expect that by the time phase two and phase three come on stream the world petrochemicals market will prove a more welcoming place.

Offset Investment

FINN BARRE

BOEING AIRCRAFT is finding it more difficult to launch the offset investment projects required by Saudi Arabia than introducing the Airborne Warning and Control (Awac) jets that led to the offset investment programme in the first place.

There is also some confusion about whether any offset programme will spring from the British Tornado jet fighter deal.

Part of the difficulty in getting the offset investments off the ground is their high-technology character. When a consortium led by Boeing won the $1.2bn contract for Command, Control, Communications and Intelligence (C3I) for ground-based control system for the Awacs jets it was required to offset the amount with investment in Saudi joint ventures.

All competitors for the contract were required to submit lists of joint venture project studies along with their bids. Apart from Boeing there were Hughes Aircraft-Rockwell International, and Litton-Bechtel-Western Electric.

The Boeing group consisted of Westinghouse (US), ITT Federal Electric (US), Standard Electric Lorenz AG (West Germany), Computer Science (US), Frank E. Basil Inc (US), BDM Corporation (US), and Saudi Amoudi Group (Saudi Arabia).

The offset investment part of the consortium, known as the Boeing Industrial Technology Group (BITG) included Boeing, Westinghouse, ITT, and SOMC-Basil.

Known as Offset, the investment programme was started by the Saudis to encourage the transfer of advanced technology and to help the modernisation of Saudi industry.

The C3I project, including civil works, will cost $3.5bn when completed, but only the high technology parts, which were beyond the capabilities of Saudi companies at the time, were made subject to offset investment.

General Electric, of the US, won a $350m contract to supply radar equipment and is also participating in Offset.

For Boeing and its partners the difficulty lies in establishing viable businesses in Saudi Arabia. The Government refuses to guarantee that it will do business with any venture or give subsidies. Labour and almost all raw materials, excluding basic petrochemicals, must be imported.

Moreover, the market provided by the Kingdom is only about 9m people. The Kingdom, with the other Gulf Co-operation Council States of Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates, comprises a market of about 14m. The Kingdom's natural Arab trading partners — Jordan, Sudan and Iraq—comprise about 35m people.

Even more troubling than limited market size is the fall in oil revenue and the consequent recession in the Saudi economy.

Because of these difficulties the strategy followed by the three consortia was to aim for projects that by their nature invited government participation.

The airframe maintenance plant is an example of a project that would lure both the state's airline and the Royal Saudi Air Force (RSAF). Saudi Arabia will reap great savings from avoiding the delay and expense of sending items overseas for repair through the US military supply chain. The same is true of the aircraft engine and avionics maintenance facilities.

Projects proving slow to get off the ground

Because of this careful selection the Offset programmes are moving ahead. Most of them have quasi-military applications and involve high technology.

General Electric's project was announced first. It is the Saudi Propulsion Centre (SPC), an advanced jet engine maintenance and repair facility. Originally GE joined with Pratt and Whitney, the other major US jet engine manufacturer, to supply technology for the plant.

Customers would include RSAF, Saudia Airlines (the national carrier) and possibly neighbouring countries' air forces and airlines as well. Saudia already operates the largest Rolls-Royce RB-211 maintenance facility in the world.

Cost of $117m

The Saudi Propulsion Centre will cost $117m by 1989. Ownership on the Saudi side will consist of 30 per cent Saudia, 15 per cent the National Industrialisation Co (NIC) and 5 per cent Gulf Investment Co (GIC).

SPC and three other Offset programme projects will be located at the King Khaled International Airport, according to Prince Fahd ibn Abdullah, assistant to the Minister of Defence and Aviation (MODA). Construction should start next year.

The second big project, involving the BITG, is the Aircraft Modification Centre (AMC), a $130m project in the construction and operation of a major airframe maintenance facility up to and including rebuilding.

Boeing will supply the technology in this joint venture. Ownership will be 30 per cent Saudia, 10 per cent NIC and 10 per cent GIC. Construction will begin next year.

A complement to the AMC will be the Aircraft Accessories Centre (AAC). The $36m AAC will rebuild landing assemblies and other sub-units of an aircraft. The technology will be supplied by the Dowty Group, of the UK. Ownership has not yet been announced.

The Advanced Electronics Center (AEC) is the final unit of the main programme. With it the Saudis will have a complete aircraft maintenance plant. Using Westinghouse technology, it will service advanced avionics and controls. It is expected to cost $100m and may be the first project in operation. Construction is expected to start later this year.

Other projects in the Offset programme are not nearly as advanced as the aircraft maintenance investments.

An advanced biotechnology joint venture with an as yet unspecified international partner would be expected to cost $10m. It could be floated as a fully public company.

A related high-technology venture is a medical products concern costing an estimated $10m. No foreign technology supplier has been named.

Computer Science Corporation (CSC) was originally expected to supply expertise to the computer software investment programme since it was part of the winning consortium. But Boeing, after it pulled out of BITG, assigned transfer of technology duties to its own Boeing Computer Services. The computer systems centre would cost $18m.

When the Offset programme was announced Saudi officials said that the ideas presented by even the losing consortia would be so good that the losers would proceed with their ideas nonetheless. This has not happened, but each concern reports that a few of its proposals are still valid.

Godliness before riches

Religion and politics

MICHAEL FIELD

THE raison d'être of the Saudi state is not, as many Westerners imagine, the creation of the richest nation on earth, or even the development of a diversified modern economy. It is the creation of a society that is Godly.

That, at least, is the theory, and despite a great many compromises and not a little hypocrisy it conditions most of the Government's policies.

One sees the ideal most clearly in the mass of rules and conventions designed to protect the family, which is of enormous importance in Islam and the core of Saudi society. The preservation of family life is the reason why women are not allowed to work or drive cars or attend cinemas and other places of public entertainment where, if unescorted, they might meet single men.

In more visible forms one sees the Kingdom's ideals in the routine of prayer five times a day, which brings government offices to a halt at midday and causes shops to shut two or three times during the afternoon and evening.

The original Saudi state, from which these ideals arise, was founded in the mid-eighteenth century with the specific purpose of propagating, by persuasion or by force, the reforming views of a preacher in Nejd, central Arabia, named Mohammad bin (son of) Abdul-Wahab.

This man sought to purge society of lax morals, superstitions and the undue reverence that it was giving to saintly figures. He said that people should live ascetic lives and return to the literal tenets of Islam according to which man must worship God alone, not the Prophet Mohammad or his relations and alleged descendants.

Since this time Mohammad bin Abdul-Wahab's followers have been called by Muslims "Muwahiddun" (Unitarians) though Europeans have referred to them as "Wahabis."

The emphasis that the Muwahiddun place on worshipping only God is one of the features that separates them and the rest of the orthodox Sunni Islamic establishment from the unorthodox and mystical Shias, who revere the members of the Prophet's family—their original leaders — and honour their brightly decorated shrines.

Mohammad bin Abdul-Wahab found support for his austere views in the person of Mohammad bin Saud, the chief of a small community based on the oasis of Diriyyah, just north of modern Riyadh. The chief, and then his sons, embarked on a campaign of conversion which by the early nineteenth century had won them all Arabia.

Although the Sauds' fortunes have risen and fallen several times since then—in the late 19th century they had no state at all and lived in exile in Kuwait—their alliance with the descendants of the preacher has remained.

Married to Sauds

Today the descendants of Mohammad bin Abdul-Wahab (the Al as-Shaikh, the "Family of the Teacher"), have three of their members in the Government as ministers. They are leaders of the religious and judicial establishment and they are bound to the Sauds by numerous marriages.

Given these bonds it could never occur to the Saudi royal family to ignore the country's religious leaders in the way that the Shah did in Iran.

The structure of the Saudi religious establishment is based on the teaching and legal professions. The more highly educated ulema (religious scholars) are either judges, of various ranks, or teachers at universities and schools. The curriculum of a 16-year-old Saudi student requires about one-third of his or her time to be spent on religious studies.

The more senior ulema preach in the mosques on Fridays, issue fatwas—legal opinions on day-to-day questions, which often include business matters—and run various institutions for the propagation of Islam.

At a much lower level each mosque has its own muezzin, who issues the call to prayer five times a day, and an imam, who leads the people in prayer, if he does not see a better-educated person in his congregation.

Saudis with strong religious views (or simple xenophobic prejudices) but little learning may work for the Committee for the Commendation of Virtue and the Condemnation of Vice, a body that has its headquarters in Riyadh and branches in every town in the Kingdom.

The mutawa, as the Committee members are called, make it their business to see that shops and ministries shut at prayer times, that no Christian manifestations, such as carol "musak" or Christmas decorations, appear in supermarkets, and that Western women walking about in public are modestly dressed.

The committees are not much respected by most Saudis, but they provide a convenient outlet for the enthusiasms of fundamentalists who might otherwise become dissident.

The religious establishment brings its influence to bear on the Government in several ways. Once a week a delegation of senior ulema has a meeting with the King, though this is a short, formal occasion of limited importance.

If an 'alim (a widely recognised scholar) has something pressing to say he can lobby the King or a senior prince in his majlis (council chamber).

More often the ulema will give vent to their concerns in their sermons. The two most popular themes are the need for good moral behaviour and the evil things, ranging from alcohol to AIDS, that stem from contact with Westerners, who, they believe, are conspiring to undermine Muslim society.

There is some debate in Saudi society as to how important is the political influence of the ulema. Members of the Saud family claim that the ulema hinder them in introducing reforms, such as a freer press, which might shock the ulema by debating "immoral subjects," a consultative national assembly (Majlis as Shura) and more freedom for women.

They say that the ulema would preach against such innovations and incite the people to riot, which is what happened when girls' education and television were introduced in the early 1960s.

Saudis who favour reform, both those of relatively liberal views and those of an earnest and idealistic religious persuasion, claim that this is nonsense. They say that these arguments are merely excuses for the Saudis' own conservatism and that the ulema are in the Saudis' pockets.

The reality is somewhere between the two views. The ulema certainly have less direct political influence than they did in the reign of King Faisal (1964-75).

At that time the leading 'alim was the Grand Mufti of Mecca, Shaikh Mohammad bin Ibrahim Al as-Shaikh, often referred to simply as "the Shaikh," who was recently described by a devout Saudi as having been "by all measures the second king of the country."

King Faisal, who was a man of great religious learning (his mother was a member of the Al as-Shaikh) did not always agree with the Grand Mufti but he respected him. When the Shaikh died the King did not allow anyone else to be appointed to his post, mainly because there was no candidate of Mohammad bin Ibrahim's stature. This has remained the position since then.

The most plausible successor would have been Shaikh Abdul-Aziz bin Baz, who is now the President of the Department for Religious Research, Iftah (the giving of fatwas), Dawa (missionary preaching) and Guidance.

Bin Baz is known as a good and honest man but he is not forward looking or as outspoken on important issues as the old Grand Mufti, and he is not of the same intellectual calibre. He once quarrelled with King Faisal over his ruling that the Earth was flat.

Present relations between the ulema and King Fahd, who does not have his brother's religious knowledge, are not marked by vigorous debate. The royal family knows that it must take the views of the ulema into account and make periodic appeasing gestures, or the ulema will become discontented.

It also knows that if the ulema are not to make a nuisance of themselves, through inflamatory preaching and uninhibited interference by the mutawa in people's daily lives, they must be carefully supervised, with a mixture of argument and discipline. If an 'alim gives sermons that are too outspoken he will be prevented from preaching until his views have mellowed.

The way in which the Saud family and the ulema work together seems to satisfy the mass of the Saudi population, including many of the religious bigots.

The categories of people who are not happy with the situation are what might be called the "liberal" intellectuals, who by Western standards are rather conservative, and the educated Muslim idealists.

Among these people the feeling is that the ulema are ignorant and preoccupied with trivia. There is much evidence to support this view. Some time ago members of the ulema wrote a newspaper article which objected to Saudis wearing black shoes on the grounds that the traditional colours for Muslims' sandals were red and yellow.

When the ulema move on to more modern issues—such as banking, television, medical matters and all aspects of Western influence on society—they are quickly out of their depth. The education they receive in the Shariah colleges, religious high schools and the universities of the Kingdom is concerned almost exclusively with religion and the curriculum has changed little in the past 1,000 years.

The liberals and Muslim idealists feel that the ulema should be better educated and that their sermons should address the major issues of the moment—corruption, social injustice, the lack of political freedom and consultation by the rulers of the ruled.

In effect, they say the ulema should be seeking the reasons why Muslim societies as a whole have not become harmonious, economically successful and politically powerful in the past 40 years.

"The ulema are useless," a rich and important Saudi remarked recently. "Our society is not run even 10 per cent on proper Muslim lines. If it were we Muslims would be happy and we would be the strongest people in the world."

The perfect Muslim society aspired to by such critics would have as its leader a man who would be both its political and religious head, as Mohammad was of the first Muslim community at Medina.

It would unite all Muslims, because there is no logic in political divisions among believers, and it would be run strictly on the lines of the Quran, which God dictated to the Prophet as instructions for the creation of a perfect society.

Clearly the alliance of the Sauds and the ulema in Saudi Arabia has produced a society which falls a long way short of this rigorous ideal.

But the religious and intellectual critics of the regime are not men to challenge it. Mostly rich and well intentioned, they are aware that most of the Muslim regimes that surround Saudi Arabia, whether secular or religious, are much less pleasant than the Kingdom.

Easier social regime under new Governor

Eastern province

MICHAEL FIELD

A FEW months ago some mutawa — members of the Eastern Province branch of the Committee for the Commendation of Virtue and the Condemnation of Vice—patrolling the streets of Dammam, went into a shop which sold expensive glassware.

The bearded zealots' attention had been attracted by some stemmed glasses in the window. These, they believed, might be used for evil drinks of a type known to destroy men's minds and to have been prohibited by God.

"What are these for?" they demanded of the frightened Pakistani shop assistant. They suggested to him that in theory it would not be impossible for the glasses to be used for drinking whisky. To their satisfaction the assistant agreed.

"By God," exclaimed the mutawa, "Then these glasses are not to be sold and must be destroyed. This shop must be closed."

The assistant duly told his employer what had happened and the shopkeeper reported the situation to the new governor of the province, Prince Mohammad bin Fahd, one of the sons of the King.

A few days later the prince invited the leaders of "the Committee" in Dammam to his office and handed them orange juice in stemmed glasses. To their surprise he asked them what they thought of the glasses and what they had drunk from them.

The mutawa said that they were indeed attractive and that the drink they contained was certainly orange juice. "Well then, do not let your men interfere with the glasses being sold," said the prince. "The sin or the virtue lies in what people do with them after they have been bought."

Whether this story is true in every detail or not it has circulated widely in the Eastern Province.

The enthusiasm of the province's Saudi and expatriate populations for their new governor is boundless. One hears no ill spoken of either Prince Mohammad or his deputy, Prince Fahd bin Salman, the eldest son of the Governor of Riyadh, who is a full brother of the King.

Three or four years ago Prince Mohammad was known as the most controversial and one of the richest of the royal businessmen. He was especially famous for a vast commission which he took on the Telephone Expansion Project contract in 1978, when he represented the winning consortium of L. M. Ericsson, Philips and Bell Canada.

Now there is a certain amount of revisionism under way. It is pointed out by the prince's friends that when Mohammad started in business towards the end of the reign of King Faisal, his father was only the Minister of the Interior and there was no guarantee that he would ever become king. It is also claimed that the prince never made as much money as was popularly supposed.

Officially the prince has handed his affairs over to one of his cousins, but unofficially he is known still to conduct a certain amount of business and he has not entirely severed his connections with some of his former Lebanese business associates.

None of this is controversial, however. The scope for anyone making large commissions in Saudi Arabia now is greatly reduced and whatever business the prince still may do is accepted by his people.

The main reason why the people of the Eastern Province are so pleased with their governor is that his predecessor, Abdol-Mohsin bin Jibuwi, was so ineffective.

Abdul-Mohsin was the third member of his family to have held the post. For half a century from 1913, when the Saud family conquered the region, it had been governed by his father, Abdullah, and elder brother, Saud.

Unlike his relations, who struck terror into the hearts of their subjects, and in particular into the heretical, minority Shia sect, but at least were powerful and energetic personalities, Abdul-Mohsin was weak.

A few years ago he was described by a Dammam businessman as "a silent man who never speaks," which in Saudi terms is a particularly damning criticism. He did not make himself available to his subjects and he referred any difficult decision to Riyadh.

Under his governorship the Eastern Province became a scruffy region. His people felt that among the three big urban centres — the other two being Riyadh and Jeddah — the Dammam - Alkhobar - Dhahran triangle was last in the development queue. Last year Abdul-Mohsin retired on grounds of failing health.

The young princes Mohammad bin Fahd and Fahd bin Salman, in contrast, are energetic, extremely hard-working and in a position to bring their province's affairs to the attention of the top of the Government.

They make a point of being accessible to all their people, visiting the homes of their subjects, including the Shias, and encouraging them not to feel obliged to prepare enormous meals on these occasions.

Prince Fahd says that he wants the Shias to feel that they are Saudi citizens. But he warns them that if they help Iran or "encourage Khomeini to interfere" they will be punished "with an iron hand."

Quietly the princes seem to be allowing the régime for foreigners in the province to become more liberal. Under the rule of their predecessor the local Committee for the Commendation of Virtue and the Condemnation of Vice, led by Abdullah Debaighi, a zealous man of powerful character, imposed a social régime on foreigners which was stricter than that in Riyadh.

Among other measures it insisted on the prohibition of mixed bathing on the foreigners' favourite beach.

Now, to the relief of all, Debaighi has to argue each demand for the more godly supervision of society with the princes, and he has to control his intolerant subordinates.

The princes are not introducing social reforms. The basic rules and regulations that govern Saudi society were established in the reign of King Abdul-Aziz, who died in 1953, and they are not to be changed.

But in the classic manner of rule by the Saud family, the princes are slowly making life easier for their subjects by allowing the rules be interpreted more leniently.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday April 21 1986

McDonnell Douglas earnings plunge in first quarter

McDONNELL DOUGLAS, America's largest military contractor, which has enjoyed rapid profit growth over the last five years nn the back of the build-up in US military spending, bas reported a surprise one-third drop in first-quarter earnings to $61.1m, or $1.51 a share, writes William Hall in New York.

The decline primarily reflects "unanticipated" modification costs on its Apache attack helicopters and sharply higher losses on its information business – the area on which the group is concentrating its expansion plans to offset an expected slowdown in US defence spending over the next few years.

The St Louis-based concern says the principal factor in the earnings decline was a pre-tax charge of $47.9m to provide for the unanticipated cost of modificatinns to the AH-64 Apache.

The modifications are required by the US Army as a result nf continuing productinn tests and initial operational use of the Apache. The first helicopter was delivered to the US Army in early 1984 shortly after McDonnell completed its $470m takeover of Hughes Helicopters, one of the world's leading helicopter manufacturers.

A second factor in the earnings decline was a first-quarter 1986 pretax loss of $41.1m in the company's information systems businesses. McDonnell Douglas has made no secret of its wish to reduce its dependence on US defence contracts. However, efforts to expand into the fast growing but highly competitive informatinn business have nnt so far proved very successful.

The latest loss on information systems compares with a $17.3m setback in the first quarter of last year. Full-year 1985 lnsses nn this side nf the business totalled $109.3m compared with $45.3m in 1984.

The 1986 loss resulted primarily from a failure to achieve revenues, the company says. First-quarter revenues registered their smallest increase since the formation of the Infnrmation System Group (ISG), a result parallelling the continuing slowdown in the wbole informatinn systems industry, says McDonnell.

The company says extensive cost-reductinn actinns aimed at improving results for the remainder of this year were taken towards the end of the first quarter.

While McDonnell's new acquisitions and diversification plans did not perform well in the first quarter, the traditional businesses continued to generate substantial profits and belped to push sales 11 per cent higher to $3bn in the first quarter.

Transport aircraft earnings for the first quarter of 1986 were approximately double those for the first three months of 1985. This level of improvement is not expected to be sustained throughout 1986

Weaker dollar lifts 3M

MINNESOTA Mining & Manufacturing (3M), the diversified US industrial group, managed to post a 6.8 per cent increase in first-quarter net earnings, mainly reflecting the positive impact of a pension accounting change and the weaker US dollar, writes Paul Taylor in New York.

Net income grew to $181m, or $1.58 a share, from $169m, or $1.46, in the corresponding period a year ago on sales which grew by 6.5 per cent to $2.07bn from $1.91bn.

Mr Allen Jacobson, chairman and chief executive, said: "Results benefited from a more properly valued US dollar, good cost-control efforts and a slightly firmer tone of our US business in the latter half of the quarter."

INTERNATIONAL BONDS

Borrowers rush to lock into yields below 7%

"THE MARKET'S sbell-shocked," remarked nne syndicate manager wearily nn Friday at the end nf a sbattering week which saw $4.5bn redeemable vnlume in dnllars and $3bn equivalent in nther currencies, writes Clare Pearson in London.

The Eurobond market is prone to nverkill, but this was a record.

The enthusiasm nf issuing bnuses for bringing new bonds to the market was not bard to account for, as borrowers locked into yields in dollars and Ecu of below 7 per cent, the lowest since the early 1970s.

With traders' books full to the brim, it is bard to see bow a volume nf this nrder can be sustained.

Traders bad speculated on the scale of the sell-off that may occur now the expected US and Japanese discount-rate cuts bave been announced. The expectation nf a full 1 per cent cut in the US rate bad been built into prices for some time.

Meanwhile, the party continues. Effnrts to be competitive in borrowers' eyes bave naturally led to some pricings being over-optimistic at the least. These have included a 7⅜ per cent 10-year deal for Associates Corporation, launched at a slim 57 basis points over US Treasuries, and a 7¼ per cent five-year bond for Nippon Kokan. Exxon's 10-year 4½ per cent deep discount bond looked tight, too.

Investors, spoiled for choice, bave focused on sovereign and state-backed paper. Deals such as the Kingdom of Sweden's two 10-year bonds in sterling and Ecus met a good reception. Deal of the week in dollars, similarly, was probably the 7½ per cent bond for French state-backed Crédit Agricole.

This issue fared noticeably better than did the 20-year dollar bond for Electricité de France, which included a borrower's call-option after 10 years. Bankers note that the increasing selectivity of investors has led to a dislike for call options. Citicorp's recent callable bond, for instance, is now trading at a margin of about 150 basis points over Treasuries, as against 89 at launch.

There was a crop of issues of three years' maturity. These instruments are designed to appeal to professional investors who are prepared to take a punt on the yield curve and who should be attracted by coupons scarcely below those on longer-dated paper.

Traders say, however, that the market is small given the volume of alternative, higher-yielding bonds on offer. IBM's $100m three-year bond, with a barrier-breaking 6⅝ per cent coupon, therefore, moved slowly.

The D-Mark market has not seen proportionately the same volume of new issues as have the Ecu and dollar sectors. Many bonds, however, have missed golden opportunities to take advantage of the market's firm tone because of the tightness of their terms.

The D-Mark sector is manifesting the same fastidious awareness of quality as are other markets. Union Oil of California's issua bore a comparatively generous coupon of 8⅛ per cent, yet was quoted by the lead-manager at less 3¾ bid nn Friday afternoon. In contrast, BMW's 10-year bond, bearing a coupon of only 5¾ per cent, was trading near issue price.

In the Swiss franc market, newly trading issues have gone down well with investors, apart from the 10-year deal for News International.

The week has seen a renaissance of issuing activity in the sterling market, which developed a more positive tone with the strength of the currency on the foreign exchanges and the base rate cuts. Traders say most of the paper that had been overhanging the market has now been absorbed, so this market may move ahead

Conspicuous by its absence during the week's excitement has been the Euroyen market, which has seen only one small issue, for tha City of Gothenburg. This pause may have allowed outstanding paper to be digested, and traders reported increased signs nf retail demand.

CREDITS AND EURONOTES

EdF in a quandary over pricing policy

BANKERS in the Euronote market are bracing themselves for a large facility expected in the next few weeks from Electricité de France, writes Peter Montagnon in London.

Quite apart from its size, which could total as much as $1bn, the deal is bound to attract attention because of the delicate issue of pricing. Still overshadowing borrowing for French state entities is last December's $700m deal for Gaz de France which is widely regarded as having been difficult to syndicate with its annual facility fee of 5 basis points.

That puts EdF in a quandary. On the one hand, to arrange a deal with a higher commitment fee would involve an embarrassing loss of face; on the other, to risk a deal with a fee of just 5 basis points might be unwise given the large amounts involved.

SNCF, French state railways, got round this problem two months ago by adopting a completely different structure involving a backstop security and a floating-rate note. But that did not go down especially well in the market either. So should EdF just brazen it out at the 5-point fee level?

There are two conflicting signals here. One is that the recent deal for Ireland's telecommunications authority has been successfully completed despite some resistance to its terms. It bears the same fee, and the borrower is undoubtedly of lesser standing than EdF.

The other is that some bankers detect signs of Japanese banks becoming lukewarm to standby backup credits as their new financial year starts – such commitments are expected to be included in new capital requirements to be imposed by the authorities in Tokyo. Without a strong Japanese presence, such a large deal as EdF is believed to be seeking might be hard to assemble.

Either way, the deal will bring some relief. Once it is out of the way the Gaz facility will no longer be a benchmark, and the awkward problems it has posed for other borrowers will be out of the way – unless, of course, EdF creates new problems of its own.

Also due to be unveiled this week is the long-awaited standby revolving facility for Eutelsat, the European satellite telecommunications company which last week launched an Ecu 150m bond issue. This bond has reduced the company's demand from the credit market so that its new deal will be for just Ecu 200m.

The 12-year deal is led and arranged by S. G. Warburg and will be lead-managed and underwritten by Banque Internationale à Luxembourg, Banque Paribas, Credito Italiano and Svenska International.

Elsewhere, Bankers Trust is arranging a $300m, five-year bullet facility for itself to replace existing standby credit lines. This carries a facility of 1/16 per cent, and the maximum yield on Euronotes or bank advances under the facility will be Libor flat. There is a utilisation fee of up to 15 basis points depending on how much is drawn.

Rio Tinto-Zinc of the UK is to launch a Eurocommercial paper programme totalling up to $250m with Barclays, Citicorp and Morgan Stanley as dealers. The programme is backed up with $300m in bank credit lines arranged bilaterally by the company late last year.

Also entering the Eurocommercial paper market is Televerket, Sweden's telecommunications authority, which has arranged a $250m programme through Morgan Stanley and Enskilda Securities. Toshiba of Japan has appointed Citicorp sole dealer on a $70m programme.

National Westminster Bank is arranging a $50m multi-option revolving credit for John Mowlem, the British-based construction group which last week offered £160m for SGB, the scaffolding group.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,509.1	0.3	411.8	133.0
Prev	3,729.9	1.4	887.0	318.5
Other	1,627.0	–	1,125.4	363.0
Prev	2,498.2	–	21.5	84.4
Secondary Market				
US$	26,067.8	1,241.2	16,782.7	3,906.6
Prev	24,616.4	1,157.4	8,116.5	4,916.1
Other	13,183.8	216.6	2,536.8	3,888.0
Prev	11,210.7	168.0	1,157.7	3,038.5

	Cedel	Euroclear	Total
US$	15,145.1	38,906.0	54,052.1
Prev	13,048.8	29,454.4	42,493.2
Other	10,550.3	12,570.3	23,120.6
Prev	8,700.6	9,578.4	18,279.0

Week to April 17 1986 Source: AIBD

Maison Phénix sells interest in US Home

MAISON Phénix, the big French housebuilder, has sold its 11.2 per cent stake in US Home, one of the biggest US building companies, writes Our New York Staff.

US Home, which has had an erratic earnings record in recent years, says that Maison Phénix sold 4.2m US Home shares between March 10 and April 17 and it has been advised that the French company no longer owns any of its shares. Maison Phénix became involved with the Houston-based US Home in January 1980 when it made a $17.50 a share cash tender offer for 1.5m shares or 15 per cent of the company.

US Home shares, which have moved up from a low of $5 last year, were trading at $8⅝ on Friday. Pacific Realty, a Dallas-based investor group, disclosed earlier this month that it had taken a 6.3 per cent stake in the company.

US Home, which lost money in 1984 and 1985 and is expected to report a small loss in the latest quarter, stopped paying a dividend in 1984. The group ran into problems after it had expanded aggressively in the housing market and was left with a backlog of properties after the rise in interest rates. Many of these houses were sold to Equity Programmes Investment Corporation (Epic), the Virginia-based mortgage syndicator which defaulted on $1.4bn of mortgages last year.

US Home, which has undergone a major management shake-up since the problems surfaced, has been slimming down and reorganising its operations in a bid to restore profitability.

Last year its on-site housing operations delivered 8,800 new units compared with 12,811 units in 1984 and 22,855 units in 1983. Sales had been running at over $1bn a year in 1983 and 1984 but shrank to $922m in 1985.

The company has reorganised its mobile home operations and terminated the production of mobile homes at its Salt Lake City facility, reduced the scope of its operations in the south by halting production in a leased factory and completed consolidation of the Texas operations into a single operating facility.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Fed move validates rally in bond prices

LATE ON Friday the US Federal Reserve Board finally did what the markets had been anticipating for weeks and cut the discount rate by half a percentage point to 6.5 per cent. The reduction, effective today, brings the key rate down to its lowest level since May 1978.

The move, which is likely to result in an early reduction in the US banks' prime lending rate from the current 9 per cent, followed similar action by the French central bank earlier last week and was joined by the Bank of Japan which cut its lending rate by a half a point to 3.5 per cent, also effective today.

US MONEY MARKET RATES (%)	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.90	6.99	7.39	9.91	6.90
Three-month Treasury bills	5.87	5.96	6.43	7.88	5.78
Six-month Treasury bills	5.53	6.01	6.49	8.14	5.79
Three-month prime CDs	6.42	6.55	7.20	8.40	6.42
30-day Commercial Paper	6.38	6.65	7.15	8.20	6.38
60-day Commercial Paper	6.25	6.50	7.05	8.25	6.25

US BOND PRICES AND YIELDS (%)	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	102⅞	+1½	6.86	7.13	(new)
20-year Treasury	121⅛	+3⅛	7.28	7.48	8.12
30-year Treasury	125⅛	+3	7.16	7.37	7.97
New 10-year "A" Financial	N/A	+⅞	8.13	8.40	8.70
New "AA" Long utility	N/A	—	8.88	8.88	9.13
New "AA" Long industrial	N/A	+2⅛	8.50	8.75	9.13

Source: Salomon Bros (estimates).
Money Supply: In the week ended April 17 M1 rose by $3.4bn to $645.7bn.

The US reduction was the second this year and the fifth since November 1984 when the discount rate stood at a peak of 14 per cent. The Fed's action, although widely anticipated, was significant for a number of reasons.

First, unlike the highly publicised internal Fed battle which preceded the last discount rate cut in early March—a battle which eventually led to the resignation of Mr Preston Martin, the vice chairman—the vote this time appears to have been decisive with Mr Paul Volcker, the chairman, clearly back in the driving seat. The vote in favour of the cut was four-to-one with Mr Emmett Rice casting the only vote against. (Ms Martha Seger and the outgoing Mr Martin were both absent.)

Second, the Fed's action took place against the unusual backdrop of a sharply plunging dollar and was clearly not only part of a co-ordinated round of interest rate cuts by the western industrial nations, but an almost unashamed effort to put pressure on a reluctant West Germany to follow suit.

The Fed's statement accompanying the rate cut described the move as "a technical change designed to place the discount rate in more appropriate alignment with the prevailing level of market rates." While that is a standard justification by the Fed, the additional advice that "the change in the discount rate also appears consistent with international rate considerations" is not.

Mr Volcker has on numerous occasions expressed concern about the effects of a sharp plunge in the dollar. The fact therefore that the Fed decided to go ahead at the end of a week in which the dollar had plunged by more than 9 pfg against the D-Mark and to a record low against the yen, highlights the international and political dimension of the US central bank's latest move.

The Fed is likely to watch the market's reactions particularly closely when trading resumes this morning. It will probably take heart from the fact that the announcement late on Friday had virtually no further impact on the dollar and that bond prices, after being marked down by profit-takers, reversed direction trimming earlier losses.

Certainly the Fed's action had been widely discounted by the markets. Short-term interest rates had fallen sharply last week in anticipation of the move which had been clearly signalled by the pronounced decline in the overnight Fed funds rate. Despite a slight back-up in rates towards the end of the week, caused by the usual last-minute discount rate cut doubts, most short-term rates were lower by 10 to 30 basis points at the Friday close.

The six-month Treasury bill rate ended the week at 5.83 per cent, down from 5.97 per cent a week ago and 6.43 per cent a month earlier. Virtually all short-term rates continue at 12-month lows.

In the US Treasury market investors shrugged off slight jitters caused by the Libya bombing and prices rose sharply despite conflicting economic indicators. On Wednesday the Treasury long bond soared by 3½ points—the largest one-day advance since October 1982—as discount rate cut fever took hold. Over the next two sessions the gains were trimmed in time-honoured fashion but the Treasury prices still closed the week up by between ⅞ and 3¼ points. The 30-year long bond ended the Friday session at 125⅛, up three points and yielding 7.16 per cent compared to a low of 7.12 per cent in midweek.

Last-minute market jitters had been compounded not only by the dollar's decline but also by the stronger than expected 3.2 per cent advance in the estimate of first-quarter real gross national product (GNP) announced on Thursday morning. The GNP number provoked a fierce debate among economists, many of whom argued that it probably overstated the current strength of the economy and was likely to be revised downwards.

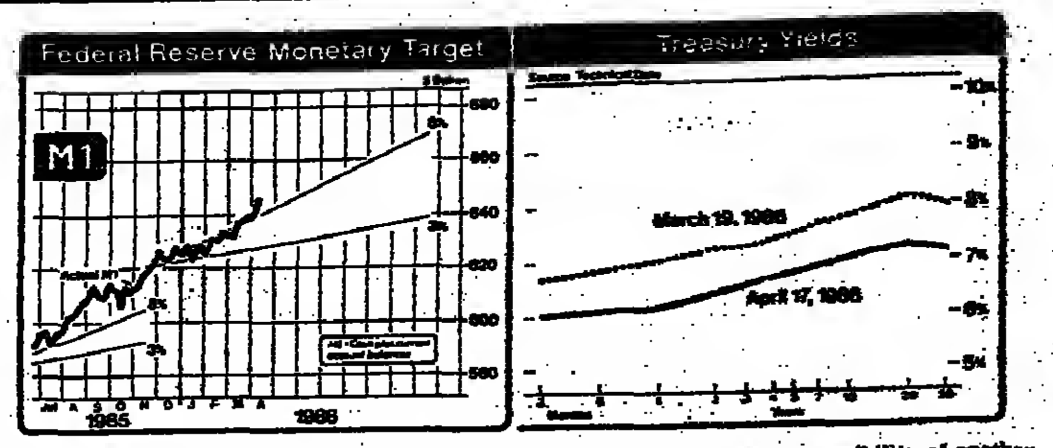
As Dr Henry Kaufman, of Salomon Brothers noted, "the 3.2 per cent reported gain (in GNP) probably overstates the current strength of the economy. Moreover the increase relies importantly on strong inventory growth. Excluding inventories, final sales fell by 0.4 per cent. This unfavourable mix does not bode well for second-quarter economic growth and thus justifies the market's indifference to the unexpectedly strong GNP report."

Indeed while most Fed watchers believe that the Fed will pause before easing further, some economists, like Mr Philip Braverman of Irving Securities, are already looking for another discount rate cut. "The market mistakenly fears that this may be the last Fed easing, and that the profit-taking will continue. However, the various factors that compelled this easing move argue for additional steps. There will be immediate follow-through cuts in the Prime. Moreover there is a possibility of another Fed easing in a few weeks, and again this summer."

In any event the Fed's latest move validates the recent remarkable run-up in bond prices—a rally that has spurred an unprecedented flood of corporate refinancing and new issue activity.

Last week corporate bond prices rose by between ½ points on medium-term issues and ½ points on longs—constrained by the volume of new issues which totalled around $5.6bn.

Paul Taylor



UK GILTS

Lower base rates help consolidate gains

IT WAS, perhaps, mere coincidence that Barclays Bank announced its cut in UK base rates on Friday only 10 minutes after the publication of better inflation figures than even the Chancellor of the Exchequer gave the impression of hoping for. Yet it was welcome reassurance for investors, some of whom had begun to wonder if the markets had not over-reached themselves.

Lower base rates helped the markets to consolidate gains made earlier in the week on the back of Wall Street's charge, and longer dated stocks ended the week with gains of over a point. Yields fell by 14 basis points over the course of the week, with the FT Actuaries high coupon series ending at 8.73 per cent for five-, 10- and 15-year stocks.

The Bank of England was not willing to lead the cut in base rates, but it acquiesced in the end. It resisted the money markets on Thursday—though less vigorously than it had the previous week, and did not offer an early round of assistance on Friday, despite a liquidity shortage initially forecast at £1.2bn.

The authorities' resistance is less to the level of interest rates than to the pace at which they are dropping. By accepting the half percentage point cut on Friday they may have won themselves enough rope to delay for a few weeks the move to 10 per cent base rates that the money markets are already demanding.

Mr Malcolm Roberts of Salomon Brothers suggests that moving too quickly to the next cut in base rates might take some of the steam out of the gilts market and make it harder for the Government Broker to sell new stock in May, when two issues totalling £1.9bn are to be redeemed.

The lack of urgency in the Government's funding programme was, however, underlined on Friday with the issue by tender of £800m of Treasury 8 per cent 2009. Offered at a minimum of £96, the payments are well spread out, with £25 payable on tender, another £25 on June 9 and the balance on July 14.

At an initial 8.39 per cent it is the lowest yielding stock the Bank has issued since 1972, as well as the longest dated new conventional for some time.

While the Bank is now winning applause for the prudence with which is is approaching lower interest rates, there are some who feel that the Chancellor is being too cautious.

In his Budget a month ago, Mr Nigel Lawson projected an annual rate of increase in the retail price index of 3½ per cent by the fourth quarter. Early last week he shortened his timescale and suggested 3½ per cent might be reached in the next few months.

With mortgage rates, oil prices and index arithmetic on its side, however, there will be cause for disappointment if the RPI for April, to be published next month, does not pierce the 3½ per cent barrier.

Rises totalling 1.21 percentage points are already known for index components such as rates and tobacco, offset by a drop of 0.3 resulting from the April 1 cut in mortgage rates. Even allowing for a good deal of general inflation not specifically anticipated, the overall rise is unlikely to come close to the 2.1 per cent rise between March and April last year.

Mr Keith Skeoch, chief economist at stockbroker James Capel and Co, forecasts a rise of 1.1 per cent in April, giving an annual inflation rate of 3.2 per cent. If the next round of mortgage rate cuts expected this week comes into effect in time, the annual rate could drop as low as 2.7 per cent in May.

Whether this rate of inflation can be sustained in the medium term depends to a great extent on wage settlements in the next six months. But with sterling's effective index above 76 there is still room for the pound to weaken significantly and keep an anti-inflationary effect from the exchange rate.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	106¼	+0¼	10.52
AIOC 11 89	75	109	+0¾	7.29
Alcan Australia 8½ 89	25	99	+0½	8.89
Amer Savings 12 88	125	105⅞	0	9.61
Amer Savings 12¾ 88	100	106⅝	+0⅛	9.60
Asian Dev Bk 11⅜ 93	100	118⅜	+0⅞	8.38
Australia 11¾ 90	100	115⅛	+0⅛	7.89
Australia 11½ 95	300	123⅛	+1⅛	7.83
Australia 11⅜ 98	100	126⅝	-0⅛	8.12
Austria 15½ 88	75	114	+0⅛	7.36
Avon Fin 10⅜ 92	100	105	+0⅞	9.15
Bk Nova Scotia 13⅜ 87	100	107⅞	-0⅛	6.73
Bank of Tokyo 12⅞ 92	100	115⅜	+0⅛	8.78
Bank of Tokyo 13⅜ 91	100	124⅛	+0½	7.85
Bank of Tokyo 13⅞ 89	100	117⅜	+0⅛	7.34
BMW O/S Ents 10⅛ 91	50	107⅞	0	6.86
BP Capital 11⅛ 92	150	111⅛	+0⅞	8.51
Br Col Hydro 11¾ 93	200	121⅛	+0⅛	7.77
Br Col Hydro 12½ 14	200	129⅞	+0⅞	9.71
Br Col Hydro 12½ 13	250	135	+1⅞	9.23
Bristol Fin 11⅞ 90	125	108⅝	+0⅞	9.40
Caisse Nat En 11⅜ 95	125	123	+1⅜	8.00
Canada 10⅞ 88	500	106⅝	+0⅞	6.98
CBB Inc 11⅛ 92	100	109	+0⅛	9.67
Centrust S & L 0 10	1.2bn	12½	+0⅞	9.12
Cheesbrough 12 93	100	110⅛	+0⅛	9.80
Chubu Elec Pwr 13⅜ 91	50	100	0	11.15
Citicorp O/S 10⅜ 90	100	103⅞	+0⅛	9.37
Citicorp O/S 11⅛ 90	100	106⅞	+0⅞	9.31
Citicorp 11⅛ 92	100	108⅜	-0⅛	8.71
Citicorp 11⅜ 97	200	109	+0⅛	10.32
Citicorp O/S 14 94	100	101½	0	13.82
CNCA 11⅞ 92	125	117⅛	+1⅛	7.77
CNCA 13⅛ 91	100	121⅛	+0⅛	7.39
Coastled Int 12⅜ 88	125	106⅛	+0⅛	8.80
Coca-Cola 11⅛ 88	100	109⅞	+0⅛	7.11
Co Fin de Paris 13⅞ 89	100	109½	0	10.49
Continental Grp 11⅛ 93	75	104½	+0⅛	10.51
Creditanstalt 13⅜ 91	100	121⅛	+1⅛	7.80
Daiichi Kangyo 12⅛ 90	100	117	+0⅞	7.61
Denmark 10⅞ 90	100	105⅜	+1½	8.11
Denmark 11½ 92	100	115⅛	+1⅛	8.09
Denmark 12⅜ 92	250	102⅞	0	12.20
Denmark 13 91	100	121½	+1½	7.73
Denmark 13 92	100	101⅞	+0⅛	12.48
Denmark 13⅛ 91	100	122⅛	+0⅛	7.99
Denmark 13⅞ 88	100	113	+0⅞	7.51
Denmark 14 91	100	113½	+0⅛	10.49
Digital Equip 11⅜ 89	150	111	+1½	7.40
Dutch St Mines 11⅞ 91	150	106½	-0⅛	9.64
Eksportfinans 11⅞ 92	100	112⅜	+0⅞	7.73
Eksportfinans 11½ 90	100	109½	+0½	8.84
Elec de France 11⅛ 93	100	118⅛	+1	7.67
Elec de France 12⅜ 87	150	108⅛	+0⅞	6.80
EEC 11 87	350	104⅜	+0⅛	6.93
EEC 11⅞ 90	100	112½	+0⅛	7.21
EEC 12 93	100	123⅛	+2⅛	7.74
Elf-Aquitaine 10⅜ 89	100	106⅛	+0½	8.09
Ericsson L M 10⅜ 88	100	103	+0⅛	8.46
Euro Inv Bk 11½ 90	200	115½	+1	7.42
Euro Inv Bk 11⅛ 91	75	111½	+0⅛	8.57
Euro Inv Bk 12⅛ 90	100	117½	+0⅞	7.32
EDC 9⅞ 88	200	104⅛	+0⅛	7.69
EDC 10 88	125	105⅜	+0½	6.96
EDC 10⅜ 88	100	106	+0⅛	6.93
EDC 11½ 89	150	109⅜	+0⅛	7.17
EDC 12 89	100	114	+0⅞	7.33
EDC 13⅞ 87	100	108⅛	+0⅛	6.91
Fed Dept Stors 11 90	100	111⅛	+1⅛	7.48
Finland 11½ 88	100	107	+0⅛	7.05
Finland 12½ 94	75	126	+1	7.94
Finnish Export 12⅞ 97	75	107⅜	+0⅛	7.17
Firstfed Mich 1 13⅞ 99	125	110⅛	+0⅛	9.33
Florida Fed 12⅜ 89	100	106⅛	+0⅛	8.90
FNMA 11.5 91	300	113⅛	+1⅛	8.40
Gen Elec Cred 0 96	600	45⅛	+0⅛	7.95
Gen Elec Cred 9⅞ 91	100	105⅞	+2⅛	8.37
Gen Elec Cred 10⅜ 90	200	107	+0⅛	8.44
Gen Elec Cred 11 91	200	107⅜	+0½	8.93
Gen Elec Cred 11⅛ 87	200	100	+0⅛	10.63
Gen Elec Cred 12 94	200	113⅛	+0⅛	9.62
Gen Foods Cap 11⅛ 90	75	108⅞	+0⅛	8.82
General Mills 8 12 81	100	115⅛	-3⅛	8.43
GMAC 10 88	200	105⅞	+0⅛	6.96
Gen Motors Acc 10½ 90	200	105⅛	+0⅛	8.67
Gen Motors Acc 11⅛ 90	100	109	+0⅛	8.81
GMAC O/S Fin 15⅛ 87	100	103	0	11.13
GTE Finance 12 96	75	103⅛	0	11.37
Gulf Oil 10⅛ 94	100	101⅛	+0⅛	9.96
GZB 14 91	100	122⅛	+1	0.37
Hell Air Fin 12⅞ 91	100	108⅛	+0⅛	10.11
Household Fin 11⅞ 92	100	111⅛	+1⅛	8.01
IBM 9⅞ 88	200	104½	+0⅛	9.04
IBM (WTC) 10⅜ 89	300	105⅞	+0⅛	2.60
IBM Credit 11 89	100	105⅞	+0⅛	9.57
IC Industries 8⅜ 87	35	98⅞	0	8.92
IC Industries 12 90	75	108½	+0⅛	9.08
Inco 9 92	100	96⅛	+0⅛	8.24
Ind Bk Japan 10⅛ 92	100	111½	+2⅛	6.15
Ind Bk Japan 10⅞ 95	100	1113	+3⅛	8.68
Ind Bk Japan 11½ 89	125	110⅞	+1	7.18
Ind Bk Japan 11⅛ 91	100	114⅞	+1⅛	8.44
Int-Amer Dev 12⅜ 91	150	121⅛	+0⅞	7.78
Int-Amer Dev 11⅞ 94	200	123⅛	+2⅛	7.94
Int Paper 12 91	75	106⅞	+0⅛	10.15
Int Stand Elec 0 97	112	36½	+0⅛	9.68
Int Stand Elec 12 96	75	100⅛	+0⅛	10.59
ITT 11⅛ 89	125	107⅛	+0⅛	9.02
ITT Credit Corp 10⅛ 90	75	106⅛	0	0.64
Japan Airlines 12⅞ 94	70	123½	+8⅛	8.40
Japan Dev Bk 10⅞ 92	50	110⅛	+0⅛	2.25
Kellogg Co 10⅞ 90	100	108½	+1½	3.12
Kellogg Co 11⅛ 92	100	113½	+2⅛	8.18
Kimberley-Clark 12 94	100	123⅛	+1⅛	8.05
Kyowa Fin HK 12⅛ 90	100	112⅛	+0⅞	6.03
Long Term Cred 10⅜ 90	100	110⅛	+0⅞	1.70
Long Term Cred 11 90	100	110⅛	+0⅛	7.70
Long Term Cred 11⅞ 88	100	111⅛	+0⅛	7.44
Long Term Cred 12 93	100	122⅛	+0⅛	7.95
Macy R H 11⅛ 91	100	104⅞	+0⅛	10.43
Macy R H 11⅛ 96	100	104⅛	+0⅛	10.91
Manitoba 14⅛ 91	150	128⅛	+1½	8.05
Marubeni 11⅛ 91	100	112⅛	+3⅛	8.44
McDonalds Fin 11⅛ 94	75	108⅛	+0⅛	8.77
Merrill Lynch 12⅞ 89	100	107⅞	+0½	9.90
Michelin 10 94	125	101	-0⅛	8.80
Mitsubishi Cp 10½ 92	100	110	+2⅛	8.25
Mitsubishi Co 10⅛ 95	200	112⅛	+2⅛	9.60
Mitsubishi Co 12½ 91	100	120⅛	+0⅛	7.56
Mitsubishi Est 11⅛ 88	50	107	+0⅛	7.72
Mitsui Eng 7⅛ 88	50	115½	+2½	0.99
Mitsui Fin Asia 12⅛ 92	100	114⅛	+0⅛	8.75
Mitsui Tst Fin 12 91	100	116⅛	+0⅛	7.77
Mobil Corp 10⅛ 90	200	104⅛	+0½	2.96
Montreal City 12½ 91	70	115⅛	+1⅛	6.60
Mgn Guaranty 12⅞ 89	150	112½	+0⅛	7.47
Morgan J P 11⅞ 92	100	110⅛	+0⅛	2.60
Mount Isa Fin 13⅛ 87	100	100⅞	+0⅛	7.65
Ned Gasunie 11⅛ 90	75	111⅛	0	8.02
Ned Gasunie 11⅛ 91	75	107⅛	+0½	9.21
N Eng Lf Mtg 11⅛ 95	149	117⅛	+1½	8.76
Newfoundland 13 91	75	116⅛	+0⅛	8.84
Nippon Crd Bk 13⅞ 89	100	116⅞	+0⅛	7.74
Nippon Tel Tel 11⅛ 90	100	114½	+1	6.92
Nippon Tel Tel 12⅛ 91	100	120⅛	0	7.80
Nissho-Iwai 8½ 89	70	156	+4	0.00
Nomura 6⅛ 88	100	212	+12½	0.00
Nova Scotia 11⅛ 91	100	106⅞	-0⅛	9.85
Nova Scotia 11⅛ 98	100	115⅛	+0⅛	9.51
Oester Post 12⅛ 89	75	111½	+0⅛	7.80
Ohbayashi-Gumi 7⅛ 89	50	239½	-26½	0.00
Ontario Hydro 11⅝ 94	200	122½	+0⅛	7.68
Ontario Hydro 11⅛ 90	200	115⅛	+0⅛	7.48
Ontario 12½ 94	250	122⅛	+0⅛	8.69
Pacific Gas & El 12 00	75	114	-3⅛	10.06
Penney J C 11⅞ 90	100	109½	+0⅛	9.97
Penney J C 12⅛ 91	100	114	+0⅛	9.32
Philips Petrol 14 89	200	102⅞	-0⅛	13.09
Postipankki 11⅛ 90	75	108⅛	+0⅛	8.54
Post-Och Kred 13⅞ 87	50	106⅛	+0⅛	7.67
Privatbanken 12½ 95	100	120⅛	+1⅛	9.05
Prudential Ins 12⅛ 87	150	107⅛	+0⅛	7.02
Pru Rlty Secs 0 99	365	36⅛	+1	8.28
Pru Rlty Secs 11⅞ 92	398	109	0	9.73
Pru Rlty Secs 12⅛ 95	545	118	+1⅞	9.04
Quebec Prov 12⅛ 94	150	119⅛	+0⅛	9.16
Queensland Gvt 11⅜ 89	100	111⅜	+0⅜	7.58
RBC 11⅜ 90	100	110½	+0½	7.89
Rural Bk Aust 12 91	50	111⅛	+2⅛	9.04
Sanwa Bank 11⅞ 92	150	116⅝	+0⅞	8.22
Saskatchewan 10⅜ 92	100	114⅛	+0⅛	7.65
Saskatchewan 10⅜ 90	125	111	+0⅜	7.40
Saskatchewan 11⅞ 89	100	113½	+0⅞	7.41
Saskatchewan 15 92	150	133⅛	+1	8.04
Saskatchewan 18 89	125	127⅛	+0⅛	7.57
Scot Intl Fin 14⅛ 96	50	118⅝	-1⅞	10.98
Sears O/S Fin 0 98	500	37⅛	+1⅛	8.32
Sears Roebuck 10½ 91	150	107⅛	+0⅛	8.74
Sears Roebuck 11⅜ 91	150	115⅞	+0⅞	7.53
Sec Pacific 12 92	100	117½	+0⅞	8.12
Shearson/Amex 12⅞ 94	100	113⅜	+0⅛	9.58
Shell (Canada) 14⅜ 92	125	119⅝	+0⅛	10.57
Signal Comps 11⅜ 92	125	111⅛	+0⅛	9.13
Standard Oil 10⅛ 89	150	104⅞	+0⅛	8.69
Statoil 12 88	100	108⅜	+0⅞	7.13
Sumitomo F. A. 10⅞ 90	100	110⅜	+0⅞	7.22
Sumitomo Fin 11⅛ 92	150	117⅛	+0⅞	7.50
Sumitomo Fin 12⅜ 91	150	119⅞	+0⅞	7.85
Sumitomo Trust 12½ 92	100	116⅛	+1½	8.73
Sweden 11⅛ 89	200	112⅜	+0⅛	7.36
Sweden 12⅜ 89	200	113⅛	+0⅛	7.33
Swedish Export 10⅞ 89	100	105⅜	+0⅛	9.37
Swedish Export 11½ 89	100	110⅝	+0⅛	7.28
Swedish Export 12⅜ 89	100	111½	+0⅛	8.69
Taiyo Kobe 11⅞ 90	100	112½	+0⅛	8.11
Taiyo Kobe 12 90	100	114½	+0⅞	8.17
Tenneco Corp 11⅛ 89	150	107⅞	+0⅛	8.38
Texaco Capital 10⅞ 90	200	95½	+0⅞	11.46
Texaco Capital 11⅛ 95	250	101⅜	+0⅛	10.81
Texaco Capital 13½ 89	200	105½	+0⅛	11.44
Texas Instrm 11⅞ 91	150	108⅞	+1	8.64
Tokai Asia 12⅜ 91	100	115⅝	+3	8.19
Tokyo Elec Pr 12⅜ 88	100	114⅛	+0⅛	8.20
Tokyo Metrop 12⅞ 94	50	120⅛	+0⅞	9.78
Toray Inds 11½ 92	50	110⅞	+1⅛	8.79
Toronto-Dom 12½ 89	50	110⅞	+0⅛	8.44
UBS 12⅞ 91	100	108⅞	0	10.08
Utd Tech 11⅜ 92	150	114⅝	+0⅞	7.96
Veba 8 93	70	249	0	0.00
West LB 11⅞ 90	100	113⅞	+0⅛	8.27
Westpac 12⅜ 92	100	117⅜	+1⅜	8.86
Weyerhaeuser 11½ 90	60	106⅛	+0⅛	9.34
World Bank 11 92	300	115⅜	+0⅛	7.58
World Bank 11⅜ 90	200	114⅛	+0⅛	7.39
World Bank 11⅛ 89	200	110⅜	+0⅛	7.11
World Bank 12 93	200	123⅜	+1⅜	7.73
World Bank 12⅜ 94	150	127⅛	+1⅞	7.78
World Bank 12⅞ 94	200	129½	+1½	7.91
Yasuda Trust 12⅜ 89	100	112⅜	+0⅛	7.44

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 98	100	100⅛	+0⅛	8⅞
Arab Bank Corp ⅛ 96	100	99⅞	-0⅛	7⅝
Banca Lavoro ⅛ 91	100	100	0	8⅞
Banco di Roma ⅛ 89	150	100⅛	0	8⅞
Bnco di Roma ⅛ 92 CU	75	100	0	10⅛
Bankers Tr NY ⅛ 94	200	100⅛	0	7⅞
Bank of Greece ⅛ 94	150	97⅜	+0⅛	8⅞
Bank Montreal ⅛ 94 £	100	100⅛	0	7⅞
Bqe Nat Paris ⅛ 88	400	101½	+0½	8⅛
Bqe Nat Paris ⅛ 96	400	101½	+0⅛	8⅛
Bqe Nat Paris ⅛ 98	250	100⅛	0	8½
Barclays O/S ⅛	600	100⅛	0	8⅛
BBL ⅛ 95	100	100⅛	0	8⅞
BBL ⅛ 99	100	100⅞	0	8⅞
BCI ⅛ 96	300	100½	-0⅛	8⅞
BFCE ⅛ 97	400	99⅞	0	8⅞
BFCE ⅛ 99	600	100⅛	0	7⅞
Belgium ⅛ 04	400	100	0	8⅛
CCCE ⅛ 05	200	100½	0	8⅞
CEPME ⅛ 96 £	100	100⅞	0	11⅛
Chase Manhattan ⅛ 09	400	100	0	0
Chemical NY ⅛ 89	300	98⅞	0	7⅞
Citicorp O/S ⅛ 97 £	100	99½	0	12⅞
Citicorp O/S ⅛ 96	250	99⅛	0	6⅞
Citicorp Psn Psn ⅛ 97	250	100	0	8⅞
Commerzbank ⅛ 89	150	100⅛	0	8⅛
Creditanstalt ⅛ 96	150	100⅛	0	8⅛
Credit Foncier ⅛ 00 £	100	100½	+0⅛	6
Crédit Lyonnais ⅛ 98	300	100⅛	0	10⅛
Credit Lyonnais ⅛ 99	250	100⅛	0	8⅛
Credit Lyonnais ⅛ 00	300	100⅛	0	8⅞
Credit National ⅛ 95 £	100	100½	+0⅛	8⅞
Dai-Ichi Kangyo ⅛ 96	150	99⅞	0	11⅛
Den Daeske Bank ⅛ 89	30	100⅛	0	8⅛
Denmark ⅛ 90	500	100	0	8⅛
Denmark ⅛ 95	250	100⅛	+0⅛	7⅞
Eldorado Neke 89	100	111⅛	+1½	10
Elec de France ⅛ 99	400	100⅛	0	8
ENEL ⅛ 93 £	100	101⅛	+0⅛	8⅞
Exterior Int ⅛ 96	125	100½	0	11⅞
Ferro del Stat ⅛ 88	100	100⅛	+0⅛	8⅞
Ferro del Stat 97	420	100⅛	0	8⅛
Fiat Fin Corp. 8⅞ 91	100	0	0	8⅛
First Chicago ⅛ 94	100	99⅛	0	8⅞
First Chicago ⅛ 97	200	98½	0	8⅞
Ford Motor Cr ⅛ 91	200	99⅞	0	8⅞
GW O/S Fin ⅛ 94	100	99⅞	0	8⅞
Grindlays ⅛ 94	100	99⅛	0	7⅞
Interfirst Tex ⅛ 88	100	100⅛	0	8⅛
Ireland ⅛ 88	50	99⅞	-2⅛	8⅞
Ireland ⅛ 93 £	50	100	0	8½
Ireland ⅛ 94	300	100⅛	0	13⅞
Ireland ⅛ 96 £	100	100⅛	0	8⅞
Ireland ⅛ 97	300	100⅞	0	12⅛
Ireland ⅛ 99	300	100⅞	0	8⅛
Italy ⅛ 94	1bn	100⅛	+0⅛	7⅞
Italy ⅛ 05	500	100	0	6⅛
Kleinwort Benson ⅛ 96	100	99⅞	0	7⅞
Korea Dev Bk ⅛ 00	100	100⅛	0	7⅞
Lincoln S & L ⅛ 99	100	98⅛	0	8⅞
Malaysia ⅛ 93	500	100	+0⅛	8⅞
Malaysia ⅛ 94	600	99⅞	-0⅛	8⅛
Man Hanover ⅛ 97	200	98⅞	-0⅛	8⅛
Marine Midland ⅛ 94	125	98⅛	0	5
Marine Midland ⅛ 96	125	100⅛	+0⅛	7⅞
Marine Midland ⅛ 09	150	99⅞	0	7⅞
Mellon Bank ⅛ 96	250	100⅛	+0⅛	7⅞
Midland Intl ⅛ 99	200	100⅛	0	8⅛
Mitsui Fin ⅛ 96	100	100⅛	+0⅛	7⅞
Morgan Grenfell ⅛ 94	50	99⅛	0	8⅞
Mtg Intermed ⅛ 10 £	50	100	-0⅛	12
Nat Bank Canada ⅛ 91	50	100⅛	0	8⅞
Nat West ⅛ 06	400	100⅛	+0⅛	6⅛
NatWest Fin ⅛	300	100⅛	+0⅛	8⅛
Neste Oy ⅛ 94	100	100⅛	0	8⅛
New Zealand 2001	350	100⅛	+0⅛	S
NZ Steel Corp ⅛ 92	225	100⅛	+0⅛	[illegible]
Offshore Min ⅛ 91	150	100⅛	0	8⅛
Oster Land Bank ⅛ 99	100	100⅛	+0⅛	8⅛
Portugal ⅛ 92	100	100	0	7⅛
Queensland Coal ⅛ 96	355	100⅛	0	8⅛
Renfe ⅛ 91	100	100⅞	+0⅛	7⅛
Sanwa Intl Fin ⅛ 92	150	100⅛	0	8⅛
SEAT ⅛ 93	100	100⅛	0	[illegible]
Security Pac ⅛ 97	250	99⅛	+0⅛	7⅛
Shawmut Corp ⅛ 97	50	99⅛	0	8⅛
SNCE ⅛ 93 £	75	100⅛	0	13⅛
Soc Generale ⅛ 97	400	100⅛	0	7⅛
Soc Generale ⅛ 94	250	100⅛	+0⅛	7⅛
Spain ⅛ 99	500	100⅛	0	8⅛
Spain ⅛ 97	250	100⅛	+0⅛	8⅛
Standard Chart ⅛ 94	200	100⅛	0	8⅛
State Bk India ⅛ 87	30	100	0	8⅛
Sumitomo Trust ⅛ 94	100	100½	+0⅛	8⅛
Sweden ⅛ 99	500	100	0	8⅛
Sweden 90	700	99⅞	0	7⅛
Swedish Ex Cred ⅛ 92	125	100½	-8⅛	10
Thailand ⅛ 05	60	99⅛	0	7⅛
Tokai Asia ⅛ 99	150	100⅛	0	8⅛
Toyo Trust Asia ⅛ 99	100	100⅛	+0⅛	8⅛
UBAF ⅛ 90	65	99⅛	0	8⅛
Union Bank-Norw ⅛ 99	50	99	0	8⅛
United Kingdom 92	2.5bn	100⅛	0	7⅛
Wells Fargo ⅛ 94	150	99⅛	0	7⅛
Wells Fargo ⅛ 98	50	99⅛	+0⅛	7⅛
Yorkshire Inl ⅛ 94 £	75	100⅛	0	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	274⅞	+17	3.35
Best Denki 5⅞ 87	15	275½	+17⅛	1.84
Canon 7 97	50	259½	+11½	-0.30
Daiwa Secs 5½ 98	60	425	+18½	0.63
Dev Bank Sing 5⅛ 98	70	78	+2	64.36
Elders 11⅛ 94	160	135⅛	-4⅛	-7.86
Elektrowatt 5 98	57	182⅞	+7½	-2.46
Fujitsu 3 99	100	120⅝	+5⅛	3.01
Inax Inc 3 98	50	108	-1	-1.83
Kyowa Hakko 6⅛ 97	40	304⅞	-2⅞	2.46
LASMO 9⅞ 99	44	87⅛	+6⅛	78.94
Moët-Hennessy 7 99	50	185	-4½	-65.26
Murata Mfg 3½ 00	100	150⅞	+8⅞	18.42
Nippon Oil 3⅛ 95	50	145⅛	+10⅛	11.34
Ono Pharm 3⅛ 99	40	705⅞	-0⅛	-2.24
Soc Gen Serv 4½ 94	50	180⅛	+4⅛	-3.63
Sumitomo Corp 2⅞ 99	30	181⅛	+7⅛	-0.80
Texaco Capital 11⅞ 94	1bn	104	+1⅛	[illegible]
Texaco Capital 11⅞ 86	500	109⅛	+1⅞	[illegible]
Tsumura Juntendo 5⅛ 00	30	146⅛	+2⅛	0.82
Yamaichi Sec 3⅜ 95	20	248⅛	-12⅛	3.25

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅜ 94	15	109⅞	+0⅞	5.95
Avon Prods 6⅜ 91	25	100⅞	+0⅛	5.71
Denmark 6½ 92	20	104⅛	+0⅛	5.82
Dow Chemical 7 94	20	102⅛	+0⅛	6.65
EDF 6⅞ 95	20	108⅜	+0⅛	5.66
Eurofima 7⅜ 94	10	109⅞	+0⅛	5.38
Eurofima 6⅞ 92	10	103⅜	+0⅛	5.82
FNMA 5⅞ 92	20	105	+0⅞	6.08
GMAC 6⅞ 90	25	103⅞	+0⅞	5.54
Ireland 6⅞ 92	12.5	99⅞	+0⅛	7.02
Int-Amer Dev 7⅜ 93	15	105	+0⅞	6.19
ITT 6⅞ 92	20	104⅞	+0⅛	5.43
McDonald Corp 6⅞ 92	20	102⅞	+0⅛	5.87
New Zealand 7½ 90	15	105	+0⅛	5.99
New Zealand 7⅛ 89	15	104⅛	+0⅛	5.47
Pacific Gas & E 7 94	20	102⅞	+0⅛	6.66
Penney J. C. 6⅞ 92	20	102½	+0⅛	6.22
Proctor 6⅜ 92	25	102⅞	+0⅛	5.87
Sallie Mae 6⅞ 92	25	103⅛	+0⅛	5.94
TRW 7 94	15	102½	+0⅛	6.50
Utd Technologies 6⅞ 92	20	102	+0⅛	5.95
World Bank 7 94	20	100⅞	+0⅛	5.71
World Bank 7½ 93	30	111⅞	+1⅛	5.71
World Bank 8 93	20	113⅞	+1⅛	5.67

EUROPE STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅞ 88	200	101⅛	-0⅛	9.22
Eurofima 10 94	100	106⅛	+0⅛	8.91
E Coal & Steel 10½ 96	1bn	108⅞	-0⅛	9.52
Euroinvest Bk 10⅜ 94	1bn	106⅞	0	8.94
World Bank 10⅜ 90	1bn	107	+1⅛	7.68

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 88	200	104⅛	+0⅛	6.00
ABN 7⅞ 88	150	105	+0⅛	5.81
Amro Bank 7⅞ 88	150	102⅞	-0⅛	6.38
Amro Bank 8 89	200	104⅛	+0⅛	6.11
Bk Mees & Hope 8⅞ 88	100	105⅞	+0⅛	6.23
Beatrice Foods 8⅞ 89	100	103⅞	-0⅛	6.86
CC Rabo 8 88	150	104⅞	0	6.21
Denmark 8½ 91	100	108⅞	+0½	6.39
Int Stand-Elec 8½ 89	100	104⅞	+0⅛	6.64
New Zealand 8⅞ 89	100	108½	+0⅛	6.30

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHEK 12⅞ 91	50	106⅛	-0⅛	10.93
Aust Resources 11 92	50	107⅞	+0⅞	9.20
Bank of Tokyo 10⅞ 92	75	102⅛	+0⅞	10.27
Bqe l'Indosuez 14 91	75	113⅛	+0⅛	10.56
Br Col Munic 12⅞ 91	100	111⅛	+0½	8.54
Br Col Munic 13½ 91	100	112⅞	-0⅛	10.09
Br Col Tele 12⅞ 89	70	106⅛	-0⅛	11.40
Farm Cred Corp 12⅜ 90	75	110⅛	+0⅞	9.23
Kredietbank 12 92	75	107⅛	+0⅛	10.25
Long Term Cred 11⅞ 90	75	107⅛	+0⅛	9.39
Montreal City 12⅜ 91	50	112⅛	+0⅛	9.06
New Brunswick 12 95	75	112⅝	-0⅛	9.77
Nova Scotia 11⅞ 95	100	111	-0⅛	9.70
Quebec Hydro 14 91	75	107⅛	+0⅛	11.86

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	113½	+2⅛	6.62
Australia & NZ 10⅛ 91	50	106⅛	+2½	9.03
Austria 10⅛ 93	100	118⅛	+2⅛	7.13
BFCE 9⅞ 92	100	115	+2	6.54
Cred National 10⅛ 94	50	120⅛	+4⅛	7.16
Cred National 11⅛ 91	50	107⅛	+0⅛	9.40
Denmark 10⅛ 91	75	108⅛	+0⅛	6.59
Ebco Intnl 10⅞ 88	55	103⅞	+0⅛	8.23
EEC 11 93	50	105⅛	+0⅛	9.92
EEC 11⅛ 91	50	107⅛	0	8.33
EEC 11⅛ 93	70	105⅛	-1	10.09
Euro Coal & Steel 8 94	60	119⅛	-1⅛	9.19
Euro Invest Bk 9⅞ 95	200	106⅞	+2½	8.12
Euro Invest Bk 10⅛ 94	130	118⅛	+2½	7.00
Euro Invest Bk 10⅛ 88	50	107⅛	+0⅛	7.44
Euro Invest Bk 10⅛ 94	100	112⅞	+3⅛	7.69
Euro Invest Bk 11⅛ 92	75	114⅛	+1⅛	8.02
Euro Invest Bk 11⅛ 93	50	106⅛	0	9.82
Euro Invest Bk 11⅛ 96	50	114½	-0⅛	8.98
Gen Finance 11 90	70	105⅛	0	9.40
Giro Vienna 10⅞ 93	60	117⅛	+2⅛	2.46
GTE Finance 10⅛ 92	50	109⅛	0	9.62
Ireland 10⅞ 95	50	106	0	9.21
Italian Govt 10⅞ 92	600	115⅛	+2⅛	7.36
Italian Treas 11⅛ 90	60	118⅛	+3⅛	2.13
Kredietbank L 9⅞ 92	75	111½	+1⅛	6.90
Megal Finance 11⅛ 94	100	110⅛	+0⅛	9.37
Nippon Cred Bk 11 91	50	108⅛	+0⅛	8.77
Nordic Inv Bk 6 94	50	117⅛	-0⅛	8.32
Post Och Kred 10⅞ 92	50	109	+3⅛	8.86
Royal Bk Can 10⅞ 89	85	105⅛	+0⅛	8.45
BNCI 10⅛ 94	40	110⅛	+1⅛	9.03
Swedish Export 11 89	57	103⅛	0	9.49
West LB 10⅞ 91	50	104⅛	+0⅛	9.40
World Bank 10⅛ 86	100	108⅛	+0⅛	8.36

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	97⅞	+0⅛	13.67
PIBA 12⅞ 89	50	96⅛	+0⅛	14.17
State Bk NSW 12⅞ 89	40	98⅛	+0⅛	12.99
Woolworths 14⅛ 88	25	101	0	13.84

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅛ 91	100	105⅛	+0⅞	9.34
Denmark 10⅛ 89	75	103⅛	+0⅛	9.39
EEC 11⅛ 94	50	111⅛	+1	9.16
Europarat 11⅛ 92	50	112	+1	8.89
Euro Invest Bk 10⅛ 92	50	109	+1⅛	8.70
Finland 11⅛ 88	50	103⅛	+0⅛	8.82
Grand Met Fin 10⅛ 90	50	104	+1½	7.86
Int-Amer Dev 11⅛ 91	60	108⅛	+1⅛	9.07
Int Stand Elec 11⅞ 89	50	103⅛	+0⅛	9.88
Inv In Indust 11⅛ 91	50	105	0	10.25
Ireland 11⅛ 94	50	110	+0⅛	9.32
New Zealand 10⅛ 89	100	102⅞	+0⅛	9.46
SNCF 11⅛ 94	60	111⅛	+0⅛	9.19
World Bank 10⅛ 89	100	104⅛	+0⅛	8.89
World Bank 10⅛ 89	50	108⅛	+1	9.05
World Bank 11 94	50	112⅞	+8⅛	8.80

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Bank Leu Int	30/8/88	0		
Ciba-Geigy Int £	1/11/90	526½	+1⅛	6.33
Credit Suisse	31/5/88	103⅛	+13⅛	-30.62
Geslo Computer	6/3/89	59⅛	+5⅛	-25.99
Fujikura	28/4/93	45	0	-12.62
IC Inds	15/6/88	41⅛	+3⅛	0.00
Kayaba Industry	15/2/89	57⅛		20.89
Minebea	20/2/88	0		
Mitsubishi Cp	7/11/88	75⅛		-30.73
Mitsui Eng & Ship	10/12/87	21		5.96
Nissho Iwai	1/2/89	73	-9	-25.60
Philips Gloeilampen	15/7/88	0		
Swiss Bank Cpn	20/12/88	151⅛	+14⅛	13.39
Toray Ind	5/3/87	0		
Union Bk Switz A	30/11/88	25⅛	+2	33.45

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex yield
Aegon Ins 11⅛ 91	15/2/88	125	+14	2.98
Coca-Cola 11⅞ 91	28/11/88	146⅛	+40⅛	5.30
Dai-Ichi K 6⅛ 96 B	1/1/96	30⅛	0	6.07
Du Pont 13⅛ 88	25/8/88	141⅛	+7⅛	6.01
Ekspfinas 13⅛ 89	15/9/87	145	-9	2.90
Gen Elec 12⅛ 91	7/8/87	236	+4	2.69
Ind Bk Jpn 12⅛ 91	5/10/89	196	+14	6.39
ITT Finance Corp	15/11/89	213⅛	+11⅛	0.00
McDnlds 11⅛ 94	5/1/89	137⅛	+7⅛	8.05
Oester Lnbk 12⅛ 89	3/8/87	146⅛	+3⅛	2.05
Texaco Cap 12⅞ 92	1/9/87	95	0	6.43
Trnto Dom 12⅞ 91	5/4/88	180	+12⅛	2.93

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate († three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
† Perpetual.

 Closing prices on April 18.

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States or to United States persons as part of the distribution.

New Issue — 12th March, 1986

ASSOCIATES
A Gulf+Western Company

Associates Corporation of North America

U.S. $100,000,000
9½% Senior Notes Series A Due 1996
and
U.S. $8,000,000
10% Note Warrants Due 1996
to Purchase
U.S. $100,000,000
10½% Senior Notes Series B Due 1996

Issue Price of 9½% Senior Notes Series A Due 1996: 101%
Issue Price of the 10% Note Warrants Due 1996: $8 (100%)

Union Bank of Switzerland (Securities) Limited

IBJ International Limited	Merrill Lynch Capital Markets
Algemene Bank Nederland N.V.	Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.	Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris	Crédit Lyonnais
Dresdner Bank Aktiengesellschaft	Kredietbank International Group
Lloyds Merchant Bank Limited	LTCB International Limited
Samuel Montagu & Co. Limited	The Nikko Securities Co., (Europe) Ltd.

Westdeutsche Landesbank Girozentrale

This announcement appears as a matter of record only.

New Issue — 1st April, 1986

U.S. $100,000,000

ICI Finance (Netherlands) N.V.

8 per cent. Guaranteed Bonds due 1996

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

Imperial Chemical Industries PLC

Issue Price 100¼ per cent.

Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.	Banque Paribas Capital Markets Limited
Barclays Merchant Bank Limited	Chase Manhattan Limited
Deutsche Bank Capital Markets Limited	Nomura International Limited

S. G. Warburg & Co. Ltd.

This announcement appears as a matter of record only.

New Issue — 26th March, 1986

SCOTIA MORTGAGE CORPORATION

(A Canadian Loan Company)

Unconditionally and irrevocably guaranteed by

THE BANK OF NOVA SCOTIA

(A Canadian Chartered Bank)

Canadian $100,000,000

10 per cent. Medium Term Notes due 1991

Issue Price 100½ per cent.

Union Bank of Switzerland (Securities) Limited

Wood Gundy Inc.	The Bank of Nova Scotia Group
Banque Bruxelles Lambert S.A.	Banque Nationale de Paris
Banque Paribas Capital Markets Limited	Bayerische Landesbank Girozentrale
Commerzbank Aktiengesellschaft	County Bank Limited
Credit Suisse First Boston Limited	Dominion Securities Pitfield Limited
Goldman Sachs International Corp.	Lloyds Merchant Bank Limited
McLeod Young Weir International Limited	Merrill Lynch Capital Markets
Samuel Montagu & Co. Limited	Morgan Grenfell & Co. Limited
Morgan Guaranty Ltd	Morgan Stanley International
Salomon Brothers International Limited	Sanwa International Limited
J. Henry Schroder Wagg & Co. Limited	Westdeutsche Landesbank Girozentrale

This announcement appears as a matter of record only.

New Issue — 15th April, 1986

U.S. $92,000,000

Unilever N.V.

7¾ per cent. Notes due 1993

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.	Bankers Trust International Limited
EBC Amro Bank Limited	Goldman Sachs International Corp.
Morgan Guaranty Ltd	BankAmerica Capital Markets Group
Banque Nationale de Paris	Chase Manhattan Limited
Citicorp Investment Bank Limited	County Bank Limited
Dai-Ichi Kangyo International Limited	Daiwa Europe Limited
Deutsche Bank Capital Markets Limited	Merrill Lynch Capital Markets
Salomon Brothers International Limited	Samuel Montagu & Co. Limited

S. G. Warburg & Co. Ltd.

INT'L CAPITAL MARKETS

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Mitsubishi Tr & B'king §‡	100	2001	15	2½	100	Mitsubishi Tr & B	2.500
Trio-Kenwood ¶‡	50	1991	5	3⅜	100	Nomura Int.	3.375
Maruzen Co. ¶‡	30	1991	5	3½	100	Nikko Secs. (Europe)	3.500
Sumitomo Tr & B'king §‡	150	2001	15	2½	100	Sumitomo Trust Int.	2.500
Citizen Watch ¶‡	50	1991	5	3⅜	100	Nikko Secs. (Europe)	3.375
Thermo Analytical §‡	23	1996	10	6	100	Drexel Burnham Lambert	6.000
Mazda Motor Corp. ‡	150	1993	7	7⅜	101¼	Daiwa Europe	[illegible]
BOC Group ‡	100	1996	10	8⅛	99½	SBCI	8.200
Associates Corp. ‡	125	1996	10	7⅝	100½	Morgan Stanley	7.607
Alaska Housing ‡	52	2001	12–13	8¼	100⅝	EBJ Int., Kidder P.	8.162
Alaska Housing ‡	48	1989–94	3–8	8⅛	100⅞	EBJ Int., Kidder P.	–
Denmark ‡	150	1991	5½	8	[illegible]	Morgan Guaranty	6.970
Toronto-Dominion ‡	150	1991	5	7⅛	100¼	Shearson Lehman Bros.	7.100
GMAC ‡	200	1988	3	10	100⅝	Nomura Int.	9.050
Sparkassen Bauban (b)†‡	40	1996	10	¼	100	Merrill Lynch	–
Barnwest Properties ‡	150	1993	7	7⅜	100	Salomon Brothers	7.750
IKB Finance ‡	125	1995	9	7½	100	Morgan Stanley	7.500
Pennzoil ‡	100	1993	7	9	99½	Merrill Lynch	9.100
EDF ‡	250	1996	20	7⅞	101½	Nomura Int.	7.725
Fuso P'maceutical ¶	50	1991	5	(3⅜)	100	Nomura Int.	–
Mitsui Corp. ‡	50	1989	3	10	100⅝	Nomura Int.	8.864
Electrolux ‡	150	1993	7	7⅝	100½	SBCI	7.531
Westpac Banking ‡	100	1996	10	8	100⅝	Morgan Guaranty	7.420
John Hancock Mutual ‡	100	1996	10	7½	100½	Salomon Brothers	7.427
Kyowa Densetsu Kaisha ¶	15	1991	5	(3⅜)	100	Nikko Secs. (Europe)	–
Honeywell Inc. ‡	100	1996	10	7⅜	100⅝	S. G. Warburg	7.453
Crédit Agricole ‡	125	1996	10	7½	100⅝	CSFB	7.427
Air Cal Inc. §	30	2001	15	(5⅞–6)	100	Paine Webber Inc.	–
Granges Exploration §	30	2001	15	(7¼–½)	100	Hill Samuel	–
Pearson §‡	75	2001	15	5¾	100	CSFB	7.750
SBC Finance ‡	150	1989	3	7	101½	SBCI	6.494
General Electric (c)‡	200	1989	3	7	101⅜	IBCI Int.	6.595
Ford Motor Credit ‡	200	1989	3	7⅛	100⅝	Goldman Sachs	[illegible]
Nippon Kokan ‡	100	1991	5	7⅛	101⅜	Yamaichi Int. (Eur.)	6.702
Prov. of Manitoba ‡	125	1996	10	7½	100⅝	Wood Gundy	7.494
First Boston ‡	100	1996	10	7¾	99	CSFB	[illegible]
IBM ‡	200	1989	3	6⅝	101⅛	Nomura Int.	[illegible]
International Lease §‡	60	2001	15	5⅞	100	Merrill Lynch	5.750
Daikin Kogyo ¶	35	1991	5	(3⅜)	100	Daiwa Europe	–
Kobe Steel ¶	100	1991	5	(3⅜)	100	Yamaichi Int. (Eur)	–
Exxon Cap. Corp. ‡	250	1996	10	4½	83.827	Nikko Secs. (Europe)	[illegible]
IKB Finance ‡	100	1991	5	0	71.893	Nomura Int.	[illegible]
Fiat Finance ‡	100	1991	5	0	71.85	Daiwa Europe	[illegible]
Denmark ɸ‡	100	1993	7	7⅝	100½	UBS (Secs)	[illegible]
ABN ¶‡	100	1996	10	3½	100	ABN	3.500
Banque Paribas ‡	100	1996	10	7½	101⅜	Banque Paribas	[illegible]
Petro-Canada ‡	200	1996	10	7⅝	100⅝	CSFB	[illegible]
Pegasus Gold §	25	1993	7	7½	100	Gutzwiller, Pru-Bache	[illegible]
Bank of Tokyo ‡	100	1991	5	0	71.625	Morgan Guaranty	[illegible]
CANADIAN DOLLARS							
Roynat Inc. ‡	75	1993	7	9½	100⅝	Orion Royal Bank	[illegible]
EIB ‡	100	1996	10	9	101	Orion Royal Bank	[illegible]
Pepsico Inc. ‡	75	1991	5	8⅝	100⅝	Morgan Guaranty	[illegible]
Nova ‡	100	1995	10	10	101½	UBS (Secs)	[illegible]
AUSTRALIAN DOLLARS							
Nat. Australia Bank ‡	50	1988	3	12¾	100⅝	Orion Royal Bank	[illegible]
State Bk of NSW ɸ‡	50	1993	7	14½	100⅝	Morgan Stanley	[illegible]
Landesbank Stuttgart ‡	30	1990	4	12½	101	Deutsche Bk Cap. Mkts	[illegible]
Union Bk of Norway ‡	100	1996	10	[illegible]	[illegible]	[illegible]	12.104
Landesbank Schleswig-H. ‡	30	1988	3	12½	[illegible]	Orion Royal Bank	[illegible]
D-MARKS							
Hydro-Quebec ‡	125	1996	10	5½	100	WestLB	5.500
Hydro-Quebec ‡	150	2016	30	6	100	WestLB	6.000
BMW Finance ‡	200	1996	10	5¼	100	Dresdner Bank	5.250
Belgium ‡	250	1996	10	5½	100	CSFB-Effectenbank	5.500
Belgium ‡	200	1996	10	0	[illegible]	CSFB-Effectenbank	[illegible]
Bank of Nova Scotia ‡	300	1996	10	5⅝	100¼	Commerzbank	[illegible]
Styria Water & Elec. ‡	100	1996	10	5½	100	Dresdner Bank	5.500
Union Oil California ‡	250	1998	12	[illegible]	100	Dresdner Bank	6.125
German State Secs. (d) ‡	300	1996	10	5⅞	100	Dresdner Bank	[illegible]
SWISS FRANCS							
Canon Sales **§	150	1991	–	(1¾)	*	[illegible]	*
KLM	300	Perp.	–	(5⅝)	*	Kredietbank (Suisse)	*
Daicel Chemical **¶‡	100	1991	–	1¼	100	UBS	1.250
United Medical **¶‡	30	1991	–	[illegible]	100	[illegible]	[illegible]
Sumitomo Warehouse **‡	50	1991	–	4⅞	100⅛	[illegible]	4.818
S&B Shokuhin Co. **‡	30	1991	–	4⅞	100⅛	SBC	4.818
Toyobo Co. **‡	50	1991	–	4⅞	100⅛	SBC	4.818
EIB	200	1996	–	(e)	*	UBS	*
Baker Int. Corp. ‖‡	200	1996	–	4⅛	100	Chicago Int. Bank	4.125
Japan Synthetic R. **‡	100	1993	–	5	100¼	SBC	4.957
STERLING							
Standard Chartered (a)†‡	150	1996	10	10bp	100.1	CSFB	–
LASMO ‡	50	1993	7	10⅛	100⅝	Morgan Guaranty	10.043
Sweden ‡	100	1996	10	8¾	100	Baring Brothers	8.750
Asda-MFI (d)‡	100	2002	16	9⅝	99½	Morgan Grenfell	[illegible]
Halifax B. Soc. (a)†‡	200	1994	8	10bp	100.05	Morgan Grenfell	–
ECUs							
Fin. for Danish Ind. ‡	50	1991	5	6¾	100	BIL	6.750
Sweden ‡	200	1996	10	6½	100	Banque Paribas	6.500
Ford. Cr. Australia ‡	40	1991	5	6¾	100⅝	Banque Paribas	[illegible]
Kredietbank ‡	63.75	1995	9½	6⅝	100	CCF	6.625
Eutelsat (d) ‡	150	1994	8	6½	100	BNP	6.500
Crédit Lyonnais ‡	175	1992	6	6⅜	100½	Crédit Lyonnais	6.272
Iceland ‡	50	1996	10	6⅞	100	Kredietbank Int.	6.875
EDC ‡	100	1996	10	6⅜	100	Banque Paribas	6.375
Cariplo ‡	15	1990	3	6⅞	100	Banque Paribas	6.875
DANISH KRONER							
Norsk Hydro ‡	250	1994	8	8⅛	100	Morgan Stanley	8.125
City of Copenhagen ‡	500	1996	10½	8⅜	100¼	Privatbanken	8.341
FRENCH FRANCS							
PPG Industries ‡	300	1991	5	7⅞	100	BNP	7.825
LUXEMBOURG FRANCS							
Svenska Handelsbanken **‡	300	1991	5	8	101	BIL	7.751
Den Danske Bank **‡	300	1991	5	7⅝	100	BGL	7.625
ECSC **‡	300	1991	5½	7½	100	BGL	7.500
YEN							
City of Gothenburg ‡	10bn	1991	5	5¾	101⅝	Yamaichi Int. (Eur)	5.371
LIRE							
Eurofima ‡	100bn	1993	7	11½	100	Sanpaolo Bank	11.500

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ɸ With bond warrants. ‖ Currency-linked. (a) 10bp over 3m Libor. (b) ¼ over 6m Libor. (c) Extendible to 1996 with refixed coupon. (d) Partly-paid. (e) Indication below 5%. Note: Yields are calculated on AIBD basis.

INT'L CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Flick flotation to make winners all round

GOODBYE FLICK, welcome Feldmuehle Nobel. Three key companies of the former Flick industrial group are about to come as a single unit to the bourse in one of the most spectacular events in West Germany's stock market history.

Details of the transaction will be announced today, but it is already clear that the new issue will dwarf even its largest predecessors of recent years. It is also plain that there will be a lot of winners from the deal—not least Deutsche Bank, the country's biggest bank, and Mr Friedrich Karl Flick, the former owner and son of the group's founder.

Deutsche Bank announced last December it was buying almost all the Flick empire for around DM 5bn ($2.26bn) but would not hang on to the holdings it thus acquired. In the meantime it has disposed of both the former Flick stakes of 10 per cent in Daimler-Benz and of 26 per cent in W. R. Grace, the US chemicals, energy and consumer group.

Those two sales alone have netted the bank more than the DM 5bn figure. But that still leaves the Flick "core" companies — Dynamit Nobel (chemicals, plastics, explosives), Feldmuehle (the country's biggest paper and board maker) and Buderus (iron, steel, capital goods).

It is these three, renamed Feldmuehle Nobel since the start of this year and with a planned share capital of DM 350m, which Deutsche Bank is now to offer on the bourse.

Analysts expect that the issue price for each DM 50 nominal share will be between DM 250 and DM 300.

In other words, Deutsche Bank looks likely to raise close to DM 7bn from its total Flick sales—far beyond the figure it agreed to pay. However, the bank also pledged to hand on to Mr Flick an extra sum if the sales proceeds markedly exceeded the purchase price. So Mr Flick, already one of the world's richest men, can safely look forward to a comfortable "bonus."

As for Deutsche, even after allowing for this commitment to Mr Flick and for its extensive costs, it will surely net hundreds of millions of D-Marks in profit from the transactions.

Another winner from the Feldmüehle Nobel deal is the German stock market. After a long period in which the bourse was rightly judged puny and dull, things have picked up a lot in recent years—not least through a flood of new issues.

Not only will the issue volume of Feldmüehle Nobel easily surpass that of the biggest single stock market newcomers so far — Axel Springer (DM 558m) and Nixdorf (DM 547m). It might even exceed the total volume of DM 1.8bn raised by all new issues together last year.

The highly diversified product range of the new company —from iron and steel through silicon and industrial ceramics to paper—makes its longer-term prospects hard to assess. But all three of the constituent parts are believed to have improved profits and sales last year, the latter to a joint total probably around DM 9bn. And with the current bull trend on the stock market, there is little doubt that the new shares will eagerly be gobbled up.

Last but not least the company's employees will be winners from the current transaction. The name of Flick has been identified for years not so much with pretty successful industrial enterprises as with a notorious political payoffs scandal which continues to make headlines. It will clearly be a relief for many of those working for Feldmüehle Nobel to have that link broken.

Jonathan Carr

Asea sells one-third share in electricity network

BY DAVID BROWN IN STOCKHOLM

ASEA the Swedish electrical engineering and electronics group, has agreed to sell a one-third share in the electricity generating and distribution network held by its subsidiary Skandinaviska Elverk to Sydkraft, in a deal worth SKr 1.5bn ($209.9m).

The deal will permit a better geographical organisation of the Sydkraft network, said Mr Anders Bjorgerd, its managing director. The group, which supplies southern Sweden, will become the country's second largest power company after the Vattenfall group.

Asea also announced it will sell the bulk of its holding in the Aker engineering group of Norway to Christiania Bank. It will receive NKr 330m for 15 per cent of its shares but will retain 5 per cent and a seat on the Aker board.

Asea acquired the Aker stake in 1984, from the Fred Olsen shipping group, as part of a capital restructuring of the ship and platform building company. Earnings have since improved considerably, as has the value of its shares.

Coleco suffers from slide in Cabbage Patch sales

BY OUR NEW YORK STAFF

COLECO INDUSTRIES, the US toy group, has reported a 70 per cent decline in first-quarter net earnings which it blamed on the limited availability of new products and a slide in sales of its Cabbage Patch Kids dolls.

The "substantially lower" sales of Cabbage Patch Kids is the latest indication that the doll craze which swept the US and led in some cases to street and store riots, is on the wane. The homely Cabbage Patch doll has been the mainstay of Coleco's turnround and accounted for about 75 per cent of the group's sales last year.

The group has recently introduced new ranges of toys and dolls, aimed at buttressing revenues and earnings. These include Furskins, a line of low-priced teddy bears, and a Rambo doll.

Net earnings fell to $5.7m or 34 cents a share from $19.4m or $1.18 a share a year earlier when a $8m tax credit lifted final net earnings to $27.4m or $1.67 a share. Sales fell by nearly 42 per cent to $113.4m.

Coleco noted that although sales for Cabbage Patch Kids products are expected to be lower for the full year, they remain the largest selling product line in the industry.

Rising yen hits TDK earnings

By Yoko Shibata in Tokyo

THE YEN'S appreciation has cut deeply into earnings of TDK, the world leader in magnetic tapes. First-quarter consolidated net profits plunged by 44.7 per cent to Y4.26bn ($24.5m) on sales which declined 12 per cent to Y90.4bn.

In addition to a 20 per cent rise in the value of the yen, weak demand for electronic components was a major cause of the setback. The company said it had increased the price of some of its products and had achieved considerable economies by reducing production and distribution costs. These measures did not, however, compensate sufficiently for the negative impact from the strong yen.

During the first quarter, volume sales of magnetic recording tapes grew satisfactorily, although prices have tended to stabilise at a lower level than the average registered in the same period in the previous year. This combined with the negative currency effect resulted in a 7.8 per cent decline in the value of tape sales.

For the remainder of the year, TDK foresees difficulty in raising prices of tapes due to overseas competition. Margins in the electronic component division may be squeezed further by consumer electronic assemblers which are also being hit by the yen's rise.

Poclain reduces loss but foresees difficult year

BY DAVID MARSH IN PARIS

POCLAIN, the French hydraulic excavator company, substantially reduced its group net deficit last year to FFr 65.7m ($9.3m) from FFr 234m in 1984, but still faces an uphill struggle to break even after years of heavy losses.

Mr David Bigelow, the chairman, made clear that this year would be difficult because of strong competition in a narrowing worldwide excavator market. Although he expected Poclain would continue to make a net improvement, he declined to forecast whether the company would be back in the black in 1986.

Last year's loss was registered on turnover of FFr 3.2bn, up 10.7 per cent from 1984. The deficit was inflated by FFr 18.4m in provisions struck on staff departures and early retirements, and on unfavourable exchange rate movements.

Mr Bigelow forecast a 10 per cent rise in volume sales of excavators this year. But turnover could rise by less than this because of fierce price-cutting in the excavator sector.

Mr Bigelow said he had seen no evidence yet of Japanese companies raising their prices in the key US market in reaction to the rise in the yen. The fall in the dollar against the franc was making Poclain's US export efforts more difficult but Mr Bigelow said his company would not be the first to raise prices there.

Poclain—owned 44 per cent by Case Tenneco of the US—is making increasing efforts to attack the American market. For Poclain this now ranks roughly equal in importance with West Germany and the UK.

BHP lifts payout by 64%

BY OUR FINANCIAL STAFF

BROKEN HILL Proprietary (BHP), the Australian resources group which last week secured a protective A$1.22bn (US$875.4m) cross-holding in Elders IXL, is to boost its aggregate dividend payments by 64 per cent to A$430m for the year ending on May 31.

BHP said in Melbourne that a final dividend of 20 cents per share would be paid to holders registered on May 2. This compares with 15 cents for 1984-85, and comes on capital increased by a one-for-five scrip issue in February.

On a per-share basis, the total distribution for the years is up 10 cents to 37.5 cents. Mr John Elliott's Elders and Mr Robert Holmes à Court's Bell Resources each have roughly 19 per cent of BHP.

UK COMPANY NEWS

Woolworth scorns Dixons bid terms and strategy

BY ALICE RAWSTHORN

The Woolworth Holdings board has fired another salvo in its defence against the £1.6bn takeover bid from **Dixons** by sending a letter to shareholders attacking Dixons' plans for Woolworth and its diversification record.

In a letter to shareholders, Woolworth's chief executive, Mr Geoffrey Mulcahy, emphasises the disparity between Dixons and its "simple business of small High Street electrical shops" and Woolworth's "larger and more diverse business with over eight times the floor space."

Dixons is accused of "muddled thinking" and having "no credible strategy for managing the Woolworth Group." It is also criticised for its plans to dispose of the Comet electrical chain.

The letter describes Dixons' diversification record as "disastrous." It accuses Dixons of having disposed of or closed 16 retail businesses in the past 10 years and of closing or selling 200 Westons units over a five-year period.

The substance of Dixon's offer is also criticised. "The value of the offer depends on the value of Dixons' shares. Dixons' shares traded on a multiple of about 40 times their profit after tax for the latest reported full year. Is this rating justified?"

Mr Mulcahy counters the claim by Dixons' chairman, Mr Stanley Kalms, that "there's not a retailer in the whole outfit" by claiming that the boards of Woolworth companies have "400 years of relevant retail experience" compared to 100 years for Dixons' boards.

The Woolworth board intends to issue a full defence document to shareholders as soon as it receives the formal bid document from Dixons.

Access Satellite in US dispute

BY TERRY POVEY

SHARES IN Access Satellite International, the USM quoted manufacturer and distributor of work platforms, are being hit by a legal row between the company and two US distributors, said Mr John Hicks, managing director, over the weekend.

In the current year ASI has felt it necessary to set aside some £200,000 for legal and other costs arising from the two disputes, said Mr Hicks. This had been accepted by the company's auditors as prudent, he added.

The cash position has also deteriorated over the last year. According to Mr Hicks, increasing lumpiness in the order position has meant that the £1m net cash position in April, 1985, has turned round into an overdraft.

When ASI came to the market with a bare two-year trading record, the striking price on the tender offer was 160p and the issue 2½ times subscribed.

In April 1985 the price reached 310p but concern over the dependence on sales to companies with which the directors were connected pulled it back sharply. More recently, in the shadow of the two legal disputes, the shares have fallen to a 65p low.

According to Mr Hicks, the US market is the key to growth for the group as readily mobile platforms are in demand as alternatives to the more costly and time consuming fixed scaffolding in many uses. "The two disputes could be damaging to our reputation in this market as well as our share price," he claimed.

The first dispute is with Mr Julian Dunlop, whose distributorship was based in Boston. ASI has taken Mr Dunlop to court seeking to reposses 20 of the $60,000 platforms and money owed.

In response, Mr Dunlop has filed for court protection under the US bankruptcy code.

Meanwhile in Texas, Mr Bob Leach is sueing ASI's US subsidiary for $15m claiming damages for breach of contract guaranteeing exclusive distribution rights that state. Mr Leach was marketing director (sales vice president) of the group's US subsidiary at the time of the flotation in November, 1984.

Scottish Heritable acquisition

Scottish Heritable Trust, the York-based land and property group, has acquired OCM, an oriental carpet manufacturer and distributor, from Bowater Industries for £1.5m.

OCM, which was established in the 1870s, manufactures Indian carpets and rugs, and distributes Indian and other oriental carpets in the UK, US and Canada. The company produced turnover of £16m last year, but operated at a loss of £604,455 before an exceptional provision for stock losses of £250,000.

After the acquisition it will be merged with Scottish Heritable's floorcoverings subsidiary, Eastern Kayam, which distributes Chinese and other oriental carpets in this country and overseas.

Scottish Heritable paid for OCM partly through the repayment of £1.273m of interest bearing loans to Bowater Finance and partly with £250,576 in cash.

Together the two companies will cover almost every area of oriental carpets, with Indian, Chinese, Nepalese, Turkish and Persian carpets. Some cost savings will be effected by pooling facilities, for example, by Eastern Kayam's using OCM's new washing plant.

Hammerson UK

Hammerson UK Properties, formerly known as Reunion Properties, increased taxable profits in 1985 from £6.37m to £8.94m on gross rental income ahead from £25.23m to £36.57m.

Earnings per share were 27.77p, against 21.13p, after tax of £927,000 (£472,000)

The company, a subsidiary of Hammerson Property Investment and Development Corporation, took account of £2.62m of extraordinary debits (credit £113,000).

Campari profit in second half

After returning to profit of £701,000 in the second half of last year, **Campari International** says current trade is in line with budget and the volume of forward orders for the second half of this year is highly encouraging.

In line with indications in the statement last month regarding the offer for the company by Mr Aake Nordin, a Swedish businessman who owns 47.8 per cent of Campari, the loss by this sports equipment group for the year ended November 30 1985 came to £494,000, after £1.2m in the opening six months. For 1983-1984 the loss was £2.85m including an exceptional £2.7m absorbed on reducing stocks.

Loss per share fell to 6.17p (33.51p) and the dividend is held at 1p net with a final of 0.5p.

Hanson in waste disposal deal

By Alice Rawsthorn

JUST FOUR days after completing its takeover of the Imperial Group, **Hanson Trust** expects to conclude negotiations today to merge its London Brick waste disposal division, **Landfill**, with the privately owned company, **Shanks & McEwan**.

The merged company will become the largest waste disposal group in the country and the first publicly quoted company in the sector when it floats on the USM early next year.

Hanson has negotiated a complex deal with Shanks & McEwan in which it will receive payment for Landfill partly in cash and partly in retaining a 20 per cent stake in the merged company.

Negotiations with Shanks & McEwan began several months ago and should be concluded at a meeting in Edinburgh today, subject to the approval of Shanks & McEwan's shareholders.

No company in the waste disposal sector has sought a public listing before, "so this will be an exciting development for us," said a Hanson Trust spokesman. "At Landfill we have substantial assets. While Shanks & McEwan has an excellent management team."

Shanks & McEwan is reported to have financed the deal through a placing of shares with institutions, by its stockbroker, Hoare Govett.

British Empire

In the half year ended March 31, 1986 British Empire Securities and General Trust has lifted earnings from 0.17p to 0.21p and is holding the interim dividend at 0.2p net per share. Net asset value per share stood at 37.1p, against 28.6p at March 31, 1985.

Investment trusts continue to comprise the major part of the company's portfolio.

In the first half, dividend and interest received totalled £512,000 (£67,000), with other income at £70,000 (£37,000). Revenue was £339,000 (£53,000) subject to tax £128,000 (£17,000).

Share Stakes

Changes in company share stakes announced over the past week include:

Systems Designers—Sales by directors as follows: P. E. Swinstead 4m shares; C. A. Leonard 250,000; J. L. Platt 208,000; I. M. Scoggins 40,000.

Apricot Computers—Director S. A. Hunt has acquired 25,000 ordinary at 67p and holds 59,000; director C. N. Bury acquired 100,000 at 57p and holds 3,304,750.

MAI — Director Sir Ian Morrow sold 106,888 ordinary shares.

J. Rothschild Holdings — Director N. O. Taube purchased 100,000 warrants to subscribe for ordinary shares at 54p per warrant.

British Island Airways for USM

BY RICHARD TOMKINS

British Island Airways, a small carrier part-owned by its pilots, has pipped the giants of the industry at the flotation post by becoming Britain's first independent airline to seek a stock market quote.

The distinction falls to BIA following delays to the flotations planned by British Airways and British Caledonian. Both had hoped to come to the market this year but their flotations ran into difficulties and have been postponed indefinitely.

BIA will be coming to the USM next month at a value of about £10m through a placing of shares with institutional investors. Brokers to the issue will be Hitchens, Harrison.

The company has eight BAC 1-11 jets and operates nonscheduled services between Britain and Europe. It does not sell seats individually but charters its aircraft to tour operators, companies and clubs.

Most of its flights are regular services to the Mediterranean for holiday companies, but it also undertakes ad hoc charter flights and leases its aircraft to customers.

There are other British airlines on the stock market but none is quoted in its own right. Dan-Air is a subsidiary of Davies & Newman Holdings, the shipbroking and aviation group, and the rest are either subsidiaries of tour operators or privately owned.

BIA's pilots became part-owners of the company in 1982 when it was acquired from British & Commonwealth Shipping in a management buy-out. They now hold 20 per cent of the shares, with another 10 per cent owned by the directors and the remaining 70 per cent by Mr Peter Villa, the chairman.

Most pilots are thought likely to hold on to their shares as long-term investments, although their stakes would be valued at over £50,000 each.

Since the buy-out BIA has doubled its number of aircraft, increased passengers carried from 184,000 a year to 371,000, and seen pre-tax profits rise from £50,000 to £1.2m. In March last year it also acquired a small tour operator called Island Sun which offers package holidays in Corsica, Sardinia, Sicily and Greece.

The object of the flotation is to give the company access to capital for expansion. Details of the issue are yet to be fixed but Hitchens Harrison will be aiming for an historic price/earnings multiple of about 13.

Newarthill pays extra 5p

Shareholders in Newarthill, the Sir Alfred McAlpine building and civil engineering group, are to benefit from the extraordinary gains made by the group in the year ended October 31 1985, through the receipt of a special 5p dividend.

When added to the maintained dividend of 11p net being paid from the year's profit, the total distribution this time is 16p.

Below-the-line extraordinary credits this time came to £17.07m (£1.4m) and principally comprised the profits on disposal of investments and the finance leasing interests. The 1984 Finance Act changes in capital allowances nad corporation tax dramatically altered the efficacy of that investment.

As anticipated, the group picked up in the second half of the year to produce an almost unchanged pre-tax profit of £16.5m, compared with £16.36m. But a substantially higher tax charge of £7.84m (£5.03m) reduced the net profit to £8.66m (£11.33m) and earnings to 49.5p per share (65.7p).

Turnover rose to £274.43m (£240.55m) and trading profit to £8.87m (£7.99m). Property income was up to £4.8m (£2.03m), but related companies share fell to £960,000 (£1.59m) and investment income to £5m (£7.53m), while interest charges were up to 3.16m (£2.77m).

J. E. England

AFTER trimming its first-half losses from £79,000 to £33,000, J. E. England & Sons (Wellington) ended 1985 with pre-tax profits up from £17,000 to £28,000. No dividend is again being paid.

Turnover of this produce supplier and convenience food merchant fell from £6.15m to £4.88m. No tax was payable and stated earnings per 5p share improved from 0.5p to 0.51p.

The directors say unit output was higher than in 1984, but a decrease in commodity prices resulted in the value of turnover declining.

Singapore Para

A downturn from £466,423 to £263,613 in pre-tax profits is reported by the Singapore Para Rubber Estates for 1985. The dividend is cut from 1.1p to 0.9p net. Turnover was also down at £761,922 compared with £1.21m.

Tax was considerably lower at £80,000 against £270,500. States earnings per 5p stock unit were 1.81p (1.58p).

FT Share Information

The following securities have been added to the Share Information Services:

Allegheny and Western Energy Corporation (Section: Americans).

PPL (Holdings) (Electricals).

Berry Trust

Net asset value per 25p ordinary share at the Berry Trust improved from 194.5p to 230.8p in the six months to February 28 1986. Assuming full conversion of loan stock, it would have been 229.8p against 193.5p.

As has been the general policy in the past, no interim dividend has been declared, but it is the board's intention that a dividend of not less than 1.05p per ordinary share will be paid in December in respect of the year ending August 31 1986.

Pre-tax profits in the opening half rose from £306,000 to £792,000. Dividends and interest on investments contributed £1.17m compared with £942,000.

Stated earnings per share rose from 0.62p to 1.62p diluted, and from 0.61p to 1.62p undiluted.

SMALLER COMPANIES International Trust reports a 15 per cent increase from 89.9p to 103.4p in its net asset value per 25p share in the year to March 31, 1986. The increase in the past six months was 24.7 per cent. Stated earnings per share fell from 1.73p to 1.43p and the dividend is cut from 1.7p to 1.4p net with a reduced final of 0.9p (1.2p).

S. DANIELS & CO, the unquoted food and beverage group, lifted pre-tax profits from £227,023 to £448,838 in 1985.

FINANCIAL TIMES STOCK INDICES

	April 18	April 17	April 16	April 15	April 14	April 11	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	94.51	94.32	93.50	93.06	93.43	93.38	94.51	80.39	127.4	49.18
Fixed Interest	97.40	97.36	96.77	96.47	97.18	97.10	97.40	86.36	150.4	50.53
Ordinary	1403.1	1401.2	1379.4	1370.8	1397.7†	1411.8	1425.9	1094.3	1425.9	49.4
Gold Mines	271.7	274.8	268.8	287.4	[illegible]	282.1	357.0	257.5	734.7	43.5
FT-Act All-Share	820.94	820.78	812.17	809.92	822.09	823.65	832.59	664.42	832.59	61.92
FT-SE100	1680.8	1680.9	1662.0	1654.8	1683.1	1694.1	1717.6	1370.1	1717.6	986.9

† Corrected

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price p	+ or –	Net div.	Times covered	Gross yield	P/E ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price p	+ or –
140	F.P.	—	435	300	Alida Hlgs.	435	+15
60	Nil	30/5	17pm	13pm	Aquascutum A 5p	14pm	+1
250	Nil	30/5	50pm	40pm	Assoc. Newspapers	45pm	
50	Nil	30/5	18pm	11pm	Bensons Crisps 10p	16pm	
140	F.P.	12/6	173	155	Crest Nicholson 10p	170	+5
370	Nil	15/5	86pm	56pm	Glen-Grattan	65pm	+2
207	Nil	23/5	52pm	22pm	Greycoat 10p	50pm	+2
160	F.P.	21/5	212	206	Haywood Williams	208	
Ir.82	F.P.	6/5	121	105	Jacobs (W.R.)	[illegible]	
730	Nil	6/5	75pm	54pm	Lon. & Manchester Grp.	63pm	+1
83	F.P.	9/5	100	92	Martin (A.) 20p	99	
63	Nil	2/5	16pm	6pm	Pentos	8pm	
665	Nil	—	36pm	35pm	Share Drug 10p	35pm	
100	F.P.	29/4	620	148	Thomson T-Line	316	
175	Nil	30/5	40pm	24pm	Turner & Newall £1	25pm	
70	F.P.	—	147	118	WSL 5p	147	+1
425	F.P.	9/5	581	561	Wolseley	568	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and yield based on prospectus or other official estimates for 1986. K Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. L Indicated dividend: cover relates to previous dividend, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. † Issued by tender. ‡ Offered holders of ordinary shares as a "rights." §§ Introduction. ** Issued by way of capitalisation. § Placing price. ¶¶ Reintroduced. ¶ Issued in connection with reorganisation, merger or takeover. ‖ Allotment price. ⊕ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*AE	May 8	Interim 2.0	*Grand Metropolitan	May 15	Interim 4.0
Akroyd and Smithers	May 7	Interim 4.0	Grosvenor Whitley	May 21	Interim 2.073
Allied Irish Banks	May 22	Final 5.0	Hepworth (J.)	Apr 25	Interim 1.0
*ANZ	May 19	Interim 11.5	*Inchcape	Apr 28	Final 11.6
Assoc. Brit. Foods	May 30	Final 3.7	Land Securities	May 15	Final 5.56
*BCI	Apr 28	Final 14.0	London and Northern	May 15	Final 3.05
BDC Intl	May 18	Interim 3.85	*Low (Wm)	Apr 24	Interim 4.0
*BPCC	Apr 23	Final 8.0	Marks and Spencer	May 7	Final 2.32
*Bank of Ireland	May 15	Final 12.0	Plessey	May 22	Final 2.575
*Bank of Scotland	May 22	Final 3.25	RHM	May 21	Interim 1.84
Bass	May 22	Interim 3.7	RHP	May 23	Interim 1.85
*Bibby (J.)	May 29	Final 9.8	Royal Bank of Scotland	May 8	Interim 3.6
Bitco (F.)	Apr 22	Final 6.0	Saatchi and Saatchi	May 21	Interim 5.9
Brit. and Commonwealth Shipping	May 29	Final 2.2	Sainsbury (J.)	May 21	Final 3.1
British Home Stores	May 7	Final 6.0	Samuel Props	Apr 25	Interim 1.8
Brown (Matthew)	May 13	Interim 2.13	Sears	May 14	Final 2.2
Cater Allen	May 22	Final due	Stylo	May 29	Interim 1.0
Costain	May 8	Final 8.0	Stakis	May 14	Interim 0.4
Country and New Town	May 18	Final 1.0	*Tarmac	May 1	Final 6.4
European Ferries	May 6	Final 3.2	*Tate and Lyle	Apr 30	Interim 7.5
*Flight Refuelling	Apr 30	Final 2.025	*Travis and Arnold	Apr 21	Final 4.4
*Foseco	Apr 30	Final 4.7	UEI	May 3	Final 3.25
*Harris Queensway	May 7	Final 2.75	Utd Scientific	May 23	Interim 2.2
Heath (C. E.)	May 16	Final 15.0	*Ward White	Apr 29	Final 4.0
Henderson Group	May 18	Final 3.75	Whitbread	May 22	Final 4.6
			*Wimpey (G.)	Apr 24	Final 2.4

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Allied London Properties, Hoggett Bowers, Kwik-Tahnik, S. Lyles, Sun-Tolaria, Scottish Metropolitan Property, Swindon Private Hospital.

Finals—Edinburgh Investment Trust, Folkes Group, Henara, Hendo Motor, Jitra Rubber Plantations, Merrydown Wine, Morgan Crucible, Polymark International, Snowdon and Bridge, Television Services International, Travis and Arnold.

FUTURE DATES

Interims—	
AE	May 8
Bibby (J.)	May 29
Crampton	May 20
Cavenham (J. A.)	June 3
Kelsey Industries	May 29
Finals—	
Conrad	April 23
First Charlotte Assets Trust	April 23
London United Investments	April 29
Neill (James)	April 29
Ward White	April 29
Wingate Property Investments	April 29
Yule Catto	April 29

Granville & Co. Limited

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Capitalisation £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
[illegible]	Ass. Brit. Ind. Ord.	132	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Ass. Brit. Ind. CULS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Airsprung Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Armitage and Rhodes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Bardon Hill	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Bray Technologies	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	CCL Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	CCL 11pc Conv Pf.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Carborundum Ord.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Carborundum 7.5pc Pf.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Deborah Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Frederick Parker Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	George Blair	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Ind. Precision Castings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Isis Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Jackson Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	James Burrough	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	James Burrough 9pc Pf.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	John Howard and Co.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Minihouse Holding NV	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Robert Jenkins	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Scruttons "A"	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Torday and Carlisle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Travis Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Unilock Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Walter Alexander	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	W. S. Yeates	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأهل

Global Investment Banking

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SEK
Swedish Export Credit Corporation
US$150,000,000
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Interest Rate Swaps
Prudential Global Funding

Nordiska Investeringsbanken
US$112,352,576
Interest Rate and
Asset Based Swaps
Prudential Global Funding

The Mitsubishi Bank, Ltd.
US$103,000,000
4- and 5-Year
Interest Rate Swaps
Prudential Global Funding

Canadian Imperial Bank Group
US$50,000,000
3-Year Zero Coupon
Interest Rate Swap
Prudential Global Funding

Scott Paper Company
SFr 217,000,000/
US$100,000,000
15-Year Currency Swap
Prudential Global Funding

Marketable Eurodollar Collateralised Securities Limited ("MECS")
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Rate Swap
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Interest rate and currency swaps are possibly the most complex of all banking transactions.

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The response from the market? Unprecedented. Sovereigns, financial institutions, multinational corporations—some of the most prestigious and sophisticated borrowers in the global capital markets quickly turned to Prudential Global Funding.

The result? Over two hundred transactions totaling almost eight billion dollars in just nine short months. Suddenly, there was another player among the handful of giants who had been at it for years.

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The makings of a global merchant bank.

"More than any other factor, say swappers, the secret to their success is being able to assemble a wide variety of technical, trading and sales skills into a single well-oiled machine."
—*Institutional Investor, October, 1985*

As part of the more than one hundred billion dollar corporate family of The Prudential Insurance Company of America, Prudential Global Funding, and its clients, enjoy extensive global resources.

Prudential-Bache Securities and its international subsidiaries provide investment banking services, including worldwide securities origination and distribution capabilities.

PruCapital makes direct financing available to clients in the United States. And P-B Trade Corporation offers trade financing internationally.

This combination of services gives Prudential Global Funding, and its clients, instant access to the global capital markets.

The rarity of a "AAA" market-maker.

"While most banks are prepared to take swaps on their books for short periods, the number who can always be relied upon to make a market remains very small."
—*Euromoney, April, 1985*

You can count the "AAA"-rated swap market-makers on the fingers of one hand. Within this select group, there are even fewer, like Prudential Global Funding, who maintain a portfolio of swaps, acting as the ultimate principal counterparty to every swap they make.

The portfolio approach allows maximum flexibility in structuring any deal, speeds transactions by eliminating the need to find the matching side of a swap at the time of execution, and lowers cost.

The swap specialists other swap specialists turn to.

"And if none of the conventional swaps fill the bill, a good swapper needs to custom-make one on the spot."
—*Institutional Investor, October, 1985*

With the freedom of a portfolio approach, the creativity born of experience, and the authority to make decisions, Prudential Global Funding's market-makers can structure and commit to most deals within minutes—the more complex within an hour or two.

Which helps explain why after just nine months, the Prudential Global Funding team has become the swap specialists other swap specialists are turning to in increasing numbers.

Do you have enough weight behind you?

Who should you turn to for your next swap transaction, or your first? To your commercial bank? To your investment bank? To us?

Frankly, we believe there is too much to lose (or gain) for you to accept anything less than a swap team with as much weight behind it as Prudential Global Funding. That is why we encourage you to speak to a member of London Global Funding at 01-283-9166, or Prudential Global Funding in New York at 212-214-1547.

Prudential Global Funding
From left: In New York: John H. Copenhaver, Senior Vice President; Bennett M. Goldstein, Senior Vice President; J. Dickson Brown, President.

London Global Funding
From right: G. Edwin Smith, Senior Officer; Stephen Farrier, Senior Officer.

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London Global Funding

Ford Motor Credit Company
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Rate Swap
Prudential Global Funding

Eléctricité de France
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10-Year Discount
Interest Rate Swap
Prudential Global Funding

Creditanstalt Bankverein
US$30,000,000
5-Year Zero Coupon
Interest Rate Swap
Prudential Global Funding

An Unaffiliated Special Purpose Entity Providing Financing to
The Firestone Tire & Rubber Company
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4-Year Interest
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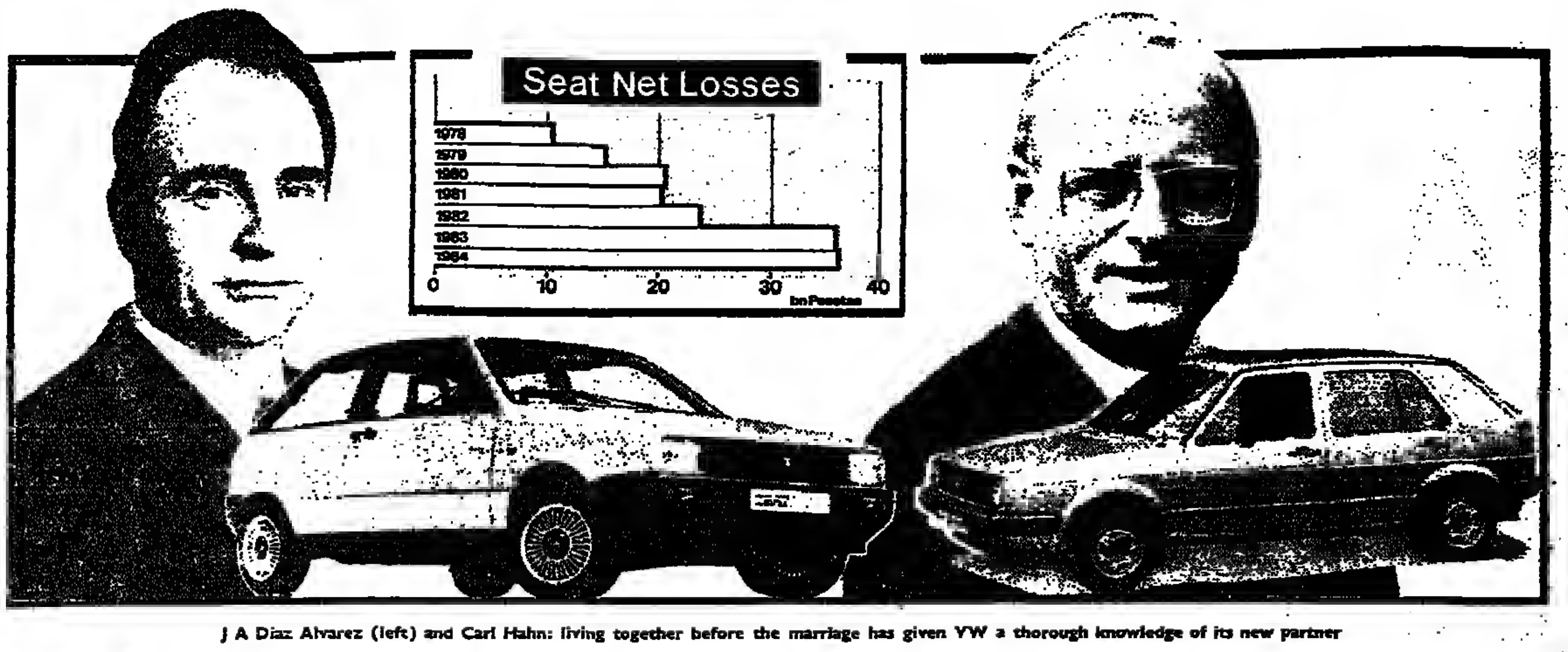
Outokumpu OY
US$30,000,000
10-Year Interest
Rate Swap
London Global Funding

Bache Securities is a subsidiary of Prudential-Bache Securities, New York, New York.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



J A Diaz Alvarez (left) and Carl Hahn: living together before the marriage has given VW a thorough knowledge of its new partner

VW takes a rough Spanish road

Kenneth Gooding examines the West German company's controversial takeover of Seat

VOLKSWAGEN-AUDI has still to complete the formalities of its takeover of Seat from the Spanish Government but already some of its motor industry rivals are asking whether the West German group has over-reached itself.

On the face of it, the omens seem far from favourable.

The motor industry's previous major takeover dates back to 1978 when Peugeot-Citroen of France acquired Chrysler's European operations. That proved a near disaster for Peugeot. It sent the French group plummeting into the red and for some years there were even questions about its very survival as an independent organisation.

Those fears have been laid to rest only in the past year. Meanwhile the Peugeot-Chrysler debacle helped change the motor industry's mind about "bigger being better." European companies in particular started to consider other ways of surviving in an environment plagued by excess capacity, low prices and severe competition.

Closer to home, so far as VW-Audi is concerned, the group's previous major acquisition—the Triumph-Adler office equipment company which it is now trying to sell to Olivetti—also turned into a corporate nightmare.

Early in 1979 VW-Audi lavished DM 1bn (£292.4m) on the move into the totally unrelated business of office equipment—seen then as one of the boom markets of the decade.

But two years later VW-Audi found itself having to pump money and management resources into Triumph-Adler, which had plunged into losses almost immediately after the takeover.

Triumph-Adler ran up a deficit totalling more than DM 800m by the end of 1984. At the same time VW's car business was also diving into the red, mainly because of the severe recession in the US car market, on which the group relies very heavily.

The financial stakes are high once again with the Seat acquisition. VW will have to find DM 1.3bn to buy the Spanish company, starting with a 51 per cent stake in May and the phased purchase of the rest by 1990 at the latest.

There will also be a DM 5bn investment programme for Seat in the years to the early 1990s for new models and to rebuild or replace the factory at Barcelona.

Seat is a perennial loss-maker—since 1978 losses have totalled Pta 160.6bn (£741.4m) in spite of the exceptionally creative Spanish accounting used to brighten the balance sheet. VW is willing to accept five more years of losses from Seat even though the Spanish Government, as a dowry to help persuade the German group to go to the altar, agreed to cover the Pta 155bn needed to put its car company on a sound financial footing.

In the circumstances it is not surprising that there has hardly been a more carefully-calculated or cautious acquisition than that of Seat by VW.

It started two years ago with a technological agreement. VW stepped in to fill a gaping hole left when Seat's 30-year association with Fiat of Italy, which had provided technical assistance and took Seat-built cars for its dealer networks all over Europe, came to an acrimonious end in 1980.

Fiat said bluntly at the time that it would not put any more cash into Seat and that the Spanish company was in such a mess that neither would anybody else — except perhaps the Spanish government.

Seat was forced to move fast to revamp its Fiat-based model range. With engineering help from Porsche of West Germany and Ital Design in Italy, it has launched a family of engines and three new cars which can be mainly produced from the old tooling.

Seat's Pamplona factory has also been reorganised to produce the VW Polo, Santana and Passat models, mainly for sale in Spain but also for the VW dealer network outside Spain, which last year took about 50,000 Polos.

Living with Seat before the marriage has given VW an exceptionally thorough knowledge of the Spanish company. For the past two years over 100 VW employees have been studying Seat at very close quarters, helping on the production lines, in quality control, product engineering and purchasing.

Dr Carl Hahn, VW's chairman, points out: "Usually when you buy a company the only people you get to know beforehand are the president and the doorman.

"But we have had people working from shopfloor to director level for the past two years. We know the Spanish supply system, we know the prices Seat pays for its components.

"Of course we will still get some nasty surprises, you always do. But we don't expect anything substantial."

And, emphasising that VW's management will not be overstretched, Hahn adds: "Remember we are dealing with one company in one country." (Triumph - Adler had subsidiaries in several countries, including the US.)

Hahn insists that VW is "not suffering from any hangover from the Triumph-Adler venture. We have to learn from experience. Sometimes it takes time to get an acquisition profitable." While there might be risks for VW in the Seat deal, the rewards could be high, as the first fruits of the association already show.

Seat has opened up its dealer network in Spain to VW, which before 1980 sold very few cars in a market heavily protected from imports and which will remain so for several more years, even though Spain has now joined the European Community.

By penetrating what was the last substantial "closed" market in Western Europe, VW-Audi in 1985 sold nearly 50,000 cars in Spain to give the West German group a 6.8 per cent market share. This played a considerable part in making VW-Audi West European car market leader last year for the first time in its history.

Hahn insists VW needs extra capacity—the Golf lines are being worked on Saturdays as the group attempts to keep pace with demand—and that Spain is a good place to have that extra capacity.

Seat will also add a third string to the VW group's bow. The Spanish company will provide high quality but relatively inexpensive cars to attract those customers who are less well-off, particularly in southern Europe. Seat will have a range of small and medium-sized cars but concentrate mainly on the "supermini" models as currently represented by the VW Polo.

At the other end of the market, VW is developing Audi as a separate, up-market, sporty brand.

Compared with the Seat models, VW branded cars will have much more engineering built into them and will cost more as a result. Hahn claims his company already has established a distinctive image for the VW brand "through engineering and technology, not created by an advertising agency."

There is no doubt that VW, particularly with the Golf, has managed to escape being classified as "just another producer of volume cars" even though the group (without the Seat brand) will make more than 2.2m cars worldwide this year.

Hahn says VW has been making efforts to "cultivate a distinct niche in the market based on our image as a mass producer—but not of cheap automobiles. Our marketing efforts aim to project Polo, Golf and Passat as classless vehicles—that is we aim to circumvent consumer bias by capitalising on the Beetle image and establishing a validity for our vehicles equally among rich and poor. For example, a Porsche owner would not be embarrassed to be seen in our Golf GTI while he might become decidedly sheepish if he were discovered in some rival models.

"We are increasing the technology in the Volkswagen cars all the time. An important element in our philosophy is that our cars might cost slightly more but customers get value for money."

However, as Hahn also points out, about one-third of the 10.5m cars a year sold in western Europe each year are in the market segments below the Golf and those sectors will grow if Europe becomes more prosperous and customers move up from used cars. "We have only a lukewarm presence in these classes with the Polo. The purchase of Seat changes that situation."

He expects the cheap Seat cars to provide new customers for the Golf and other VW models as buyers trade up—just as a satisfied stream of former Beetle customers used to move to the Golf.

Seat, since the divorce from Fiat, has built up its own distribution and dealer network throughout Europe and other parts of the world (with North America still to come).

This separate network will be continued and encouraged although steps will be taken to ensure that customers know that Seat is part of the VW "family."

There will be a gradual shift from Fiat-based technology to that provided by VW as new Seat models come along and the Spanish company will be able to plug into VW's enormous purchasing power when shopping for components.

J. A. Diaz Alvarez, Seat's president, believes, however, that Seat cars will continue to be built mainly from Spanish components.

In the medium term, Seat's car production should rise from last year's 320,000 to about 400,000: two-thirds of them branded Seat and the rest for VW in Spain and elsewhere.

Since 1981 Seat has been pushing through a rationalisation programme designed to take its workforce down from 31,000 to 20,000 by 1989. Much of that has been achieved already, leaving only 200 to 300 a year to go via natural wastage in the next few years if car output targets are met, Diaz Alverez suggests.

Neither does he expect any senior management changes except that VW will strengthen the Seat management in some specialist areas for three to five years — "so we will have a mixed Spanish-German management to start with."

Although the Seat deal should strengthen VW's position in Western Europe, the group has not been content to place all its eggs in that one basket. VW has been driving hard to become Europe's only credible multinational.

Hahn suggests that will be enough for some time. "We have bitten off a great deal. Now we must chew it. After taking over Seat it will be a time of consolidation—consolidation with expansion.

"Once we have entered a venture as big as the Seat venture it might be an idea to forgo other opportunities, however golden they might seem. We don't want to overstretch ourselves."

Business courses

Developing Business in China, Fontainebleau. May 28-30. Fee: founder and sponsor members FFr 8,000; partner members FFr 9,000; non-members FFr 10,000. Details from Professor Jean-Pierre Lehmann, Euro-Asia Centre, Boulevard de Constance, 77305, Fontainebleau Cedex, France. Tel: (1) 60 72 40 40. Telex: 690389F.

Management buy-outs—the key issues, London. June 10. Fee: £190 + VAT. Details from Lisa Hamilton-Price, Legal Studies & Services, Bath House, 56 Holborn Viaduct, London EC1A 2EX. Tel: 01-236 4080. Telex: 888870.

Rewards and risks in licensing, Dublin. June 16-18. Fee: before April 16 LES members Ir£310, non-members Ir£360; after April 16 LES members Ir£330, non-members Ir£380. Details from LES Conference Secretariat, 12 Pembroke Park, Dublin 4, Ireland. Tel: Dublin 685152.

Corporate finance, London. June 30-July 4. Fee: £650 + VAT. Details from D. C. Gardner and Company, 8-9 New Street, London EC2M 4TP. Tel: 01-283 7962.

Management of research, development, and technology-based innovation, Massachusetts. June 9-20. Fee: $3,500. Details from Office of the Summer Session, Room E19-356, Massachusetts Institute of Technology, Cambridge, Massachusetts 02139. Tel: (617) 253 2101. Telex: 92 1473.

Information centres, Stockholm, May 28-30; London, June 3-4. Fee: £745. Details from CGS Institute, Russell House, Russell Street, Windsor, Berkshire SL4 1HQ. Tel: 0753 858811. Telex: 849105.

Introductory computer workshop for managers (limited to six people), Watford. June 2-3. Fee: IIM members £195 + VAT; non-members £215 + VAT. Details from Short Course Dept, Institution of Industrial Managers, Industrial Management House, Cardiff Road, Luton LU1 1RQ. Tel: 0582 37071.

Banking and financial activities of the City of London, London. May 19-30. Fee: £1,050. Details from the Marketing Manager, Management Development Centre, The City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB. Tel: 01-920 0111, ext 284.

PE International

Sir Nigel Foulkes is chairman of Equity Capital for Industry, not former chairman, as was stated in Monday's article on PE International.

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MALTA

To cope with a harshly competitive world, Malta has to make economic and political decisions that will shape its future as an independent Mediterranean nation

Carmelo Mifsud Bonnici

Dom Mintoff

Dr Mifsud Bonnici, Malta's new Prime Minister, is a protégé of his predecessor, Mr Mintoff. His task is to ease the island's internal political conflicts

An island ready to build bridges

By Richard Evans

MALTA, not for the first time in its colourful history, is at a crossroads. Economic and political decisions must be implemented in the next year or two that will shape the island's position both in the Mediterranean and in the wider world.

Economically, the traumatic changeover from an economy largely dependent on Britain's naval presence to one of independence has been completed, but trading circumstances are now changing fast and a fresh strategy is required.

Politically, the island is badly divided between the ruling Labour Party and the opposition Nationalist Party. Tensions are high and much will depend on the outcome of the general election to be held within the next year.

Malta — the country includes the smaller islands of Gozo and Comino as well as Malta itself —lacks natural resources and a solid agricultural base and its population of 330,000 depend on trade and tourism for its prosperity.

For more than 150 years the Maltese economy depended largely on earnings and employment provided by the British armed forces, and Whitehall's decision in 1958 to close the naval dockyard, and the growing pressure after independence in 1964 for Nato troops to withdraw, created an economic crisis.

The last British troops left in 1979, leaving a substantial hole of £28m a year in Malta's coffers — £14m paid on behalf of Nato for the use of naval and harbour facilities and an additional £14m spent by British servicemen and their families on the island.

This meant that Malta had to stand on its own feet and Mr Dom Mintoff, Prime Minister from 1971 to 1984, set about diversifying the economy fast, primarily by developing light industry and tourism.

Mr Mintoff, whose name became synonymous with Malta because of his high-profile confrontational politics and abrasive style, made many enemies at home and aboard, but by a series of interventionist moves domestically and an international policy of neutrality and non-alignment, he severed Malta from its colonial past.

After centuries of domination by the Phoenicians, Carthaginians, Romans, the Goths, Arabs, Knights of St John, the French under Napoleon and finally the British, the country gained its political and economic independence. Malta became a republic in 1974 but remains within the Commonwealth.

The Government, by taking into public ownership key sectors of the economy, took the lead in launching export-oriented industries to make Malta more self-reliant and initially things went well. Investment came from Europe, particularly West Germany but also from the UK, US and Italy, and earnings from tourism soared.

Hit by recession

The economy grew rapidly in the late 1970s but from 1980 growth was hit severely by the recession in Western Europe. Malta became uncompetitive as labour costs rose and other developing countries with lower costs moved into the same markets.

The upsurge in costs also had a disastrous impact on tourism, which had grown too fast for the infrastructure to cope.

Things looked bleak and the government sought new markets to the South and the East. Barter deals were clinched with the Soviet Union and others in the Eastern bloc, and trade was developed with near neighbours in North Africa such as Libya, Algeria and Tunisia.

These helped but they were not enough. Around 70 per cent of Malta's trade in 1984 was still with the members of the European Comunity and the government has decided that this is where attention must be redirected.

The change of tack coincided with the surprise decision by Mr Mintoff in December, 1984 to quit as Prime Minister. After 13 years in office he handed over to Dr Carmelo Mifsud Bonnici, 52-year-old lawyer he had hand picked to follow him. The new Prime Minister owes everything to Mr Mintoff: a seat was found for him in Parliament and he has never had to seek election to any post. It all happened with apparently effortless ease.

This all makes Malta seem like a peaceful little place where changes in leadership go smoothly because there is nothing much to quarrel about. That could hardly be more misleading. Mr Mifsud Bonnici took over a bitterly-divided island with politics that were alarmingly polarised.

He heads a government, itself factionalised, whose right to rule has been repeatedly challenged by the Nationalist Party led by Dr Eddie Fenech Adami, which got more than half the popular vote in the 1981 elections but was prevented from ousting Labour by what they regarded as gerrymandering.

It is not yet clear whether the change in government leadership will ease the internal political conflicts which plague Malta. There have been government battles over the independence of trade unions, the medical profession, the judiciary, teachers, and most recently the Roman Catholic Church. Malta is probably the most Catholic country in the world and conservatively Catholic at that. The dispute between church and state over fee-paying schools has created especially deep divisions.

In addition, Nationalist leaders are convinced that their party could again be robbed of power in a year's time unless electoral reforms are introduced, but the Prime Minister shows no signs of agreeing to this. He regards the electoral system, based on proportional representation, as sound and the 1981 result as a freak unlikely to be repeated.

Matters have been clouded, in typical Maltese fashion, by last year's discovery by police of shotguns at the Nationalist Party headquarters. The government regarded this as evidence of a plot to overthrow it by force, but the opposition claims it had no knowledge of the guns and believes they could have been planted.

Two other issues that have caused potentially dangerous conflicts are broadcasting, which is government-run and according to the opposition grossly biased, and the Foreign Interference Act, a measure introduced after the last election in an attempt to block support for the Nationalists from European Christian Democrats and others. The law in future will be applied only during an election campaign.

Substantial progress

In contrast to these intractable domestic difficulties, the new leadership of Dr Mifsud Bonnici has made substantial progress on the economic and international fronts, however. He is a much more calm, retiring character than the charismatic Mr Mintoff, and he has rapidly put into reverse many of his mentor's confrontational policies. Instead, there is consultation and conciliation and the effects are already being felt in many aspects of Maltese society.

Bridges are being built fast, abroad with Western Europe and the Commonwealth, and at home with private industry which took a back seat when Mr Mintoff was in power.

Relations between Malta and the United Kingdom, which ranged from poor to abysmal under Mr Mintoff, are greatly improved. Mr Derek Thomas, a deputy under-secretary at the Foreign and Commonwealth Office, visited Valletta last month, the first such visit for many years, to discuss ways in which Britain might help with technical assistance and increased trade.

One running sore from the Mintoff years that was despatched swiftly was the clearing of Valletta's Grand Harbour of wrecks sunk by German and Italian bombing during the siege of Malta in 1939-45 War. The UK Government sent a team of divers last year to help clear the hazards and contributed £1.7m towards the costs.

Similarly, an aid deal of 29.5m Ecus (£17m) has been struck with the European Community (Malta has free access to EEC markets except for textiles), and strained relations with Italy because of the trade imbalance have been healed.

But closer ties with the United States have proved harder to achieve. Britain accepts the need for close commercial ties with Libya, but the US State Department still feels that Malta's stance of non-alignment has gone too far against the interests of Nato, and that the links with Libya could be potentially very dangerous.

Libyans can visit Malta without passports (3,000 a month do so mainly to buy car parts and consumer durables) and the fear is that Malta could be misused. But the authorities insist the screening process is adequate.

In an interview in Valletta's splendid 16th century Auberge de Castille et Leon, build by the Knights of Malta and now the seat of government, Dr Mifsud Bonnici commented: "There has been a lot of mistrust of Malta from a lot of countries and we have not succeeded in overcoming it all yet.

"In the case of the UK there is now no difficulty, but in the case of the US we cannot say that. There are positive signs but the change will be slow. We feel there is still a lingering mistrust of our non-alignment policies."

The emphasis of the Maltese government, however, remains firmly on the need to attract more investment from the West and to develop an infrastructure that will be better able to cope with the high technology products that Malta wants to manufacture.

The question is whether Dr Mifsud Bonnici will be able to switch the emphasis of Malta's economy by persuading foreign companies of the advantages of investing in Malta. The tiny island lives in a harshly competitive world and it will not be easy but the signs are increasingly hopeful.

MALTA 2

Development plan sets out three aims

Economy

RICHARD EVANS

THE TWIN pillars of the economy of Malta, which lacks natural resources and a solid agricultural base, are export-oriented manufacturing industry and tourism. Both have suffered severely in recent years from the impact of the recession in western Europe, but both are now showing signs of recovery.

Malta experienced heady economic growth during most of the 1970s, but difficulties set in following the withdrawal of the Nato bases in 1979. The need for a speedy transition from heavy dependence on British forces to a much more self-sufficient economy coincide with the recession and by 1980-81 Malta was in deep trouble.

Spiralling wage costs and an overvalued currency made its industry uncompetitive compared with the emerging nations of North Africa and the Far East, investment from Western Europa dried up and tourist revenues plummetted. Its primary manufacturing industry, textiles, was particularly badly hit by competition from cheaper producers.

A range of measures was introduced by the Labour government of Mr Dom Mintoff, particularly counter trade arrangements and the search for new markets in the Eastern bloc and North Africa. These helped, but only marginally, and there is now to be another switch of strategy for Malta to meet changing trading patterns.

A new three-year development plan has just been launched by Mr Mintoff's successor, Dr Carmelo Mifsud Bonnici, with three aims: to improve Malta's infrastructure so that foreign companies will find it more attractive to invest; to change the education system radically so that it will be easier to attract industry requiring higher skills; and to develop tourism. The whole package will cost between £ML60m and £ML80m.

"The primary purpose is to make sure that Malta has a workforce ready for the introduction of the latest technology," Dr Mifsud Bonnici says. His intention is to steer Malta away from low-cost manufactured and semi-processed goods to products where maximum use could be made of a highly-trained, technically-orientated workforce.

The infrastructure had been showing signs of increasing strain, with an outdated telephone system, a road network in need of overhaul, breakdowns in electricity, and an erratic water supply, especially in summer. Work is already in hand and electricity and water supplies should be adequate this year.

Following the policies implemented by Mr Mintoff in his 13 year as Prime Minister, there is a considerable degree of state intervention in the economy.

The picturesque fishing village of Marsaxlokk where a $180m transhipment port is planned *Glyn Genin*

The public sector generates about 40 per cent of the country's gross national product and employs nearly a quarter of the workforce.

Directly or indirectly, the government controls the country's utilities, airline, shipping line, ship repair yards (Malta Drydocks, using the former Royal Navy facilities, is the country's biggest single employer), and many factories and hotels. The state also controls banking, insurance, telecommunications, radio and television.

This central control has meant that the government can provide a wide range of incentives to attract foreign investors, mostly through the Malta Development Corporation, and a very pragmatic foreign economic policy is operated.

About 100 foreign companies are currently operating in Malta, 35 of them with some West German capital, and foreign investors are free to make equity arrangements as they wish. Companies, usually based in factories provided by MDC, can be wholly or partly owned and profits can be repatriated.

Prospective foreign investors can apply for incentives that include the government-leased factories at concessionary rates, tax exemptions for imported capital equipment and raw materials, graduated tax reductions on reinvested profits and accelerated depreciation allowances.

They may also be attracted by the availability of relatively inexpensive English-speaking, easily-trained and productive labour—Malta has the most strike-free record in Western Europe—substantial local financing currently at 7 to 8 per cent interest, and favourable access to European, US and North African markets.

A prices and wages freeze was introduced four years ago in an attempt to keep costs down and curb inflation. The result has been no increase in retail prices between 1982 and 1985.

The government has also sought to improve Malta's infrastructure by developing ambitious projects such as the $180m transhipment port at Marsaxlokk, the new shipbuilding yard at Marsa where eight timber carriers are under construction for the Soviet Union, and a massive grain silo. The intention is to expand Malta's role as a transhipment and regional services centre for the Mediterranean.

There are also plans in hand to amend local banking regulations in order to develop Malta as a centre of off-shore banking and financial services. Maltese officials are particularly impressed by the way Cyprus has developed in this field.

Malta's official foreign exchange reserves have generally been high. The Government currently holds reserves valued at more than US$1bn, enough to pay for about 18 months of imports and a ratio that is among the highest in the world.

The Maltese are also among the world's most conscientious savers but because of the lack of investment opportunities on the island, most of the money is invested in London, to the benefit of the UK economy rather than Malta. Currently savings are about 30 per cent of GNP.

The change in the political climate following Dr Mifsud Bonnici's inheritance of the premiership has meant an increased opportunity for the private sector which was kept well in the background by Mr Mintoff.

Leaders of private industries advocate a more competitive exchange rate (although this is much better than it was since the influence of the US dollar was lessened in the currency basket which is used to fix the exchange rate), changes in taxation and employment laws affecting local industries, and the introduction of an export credit insurance scheme.

Malta now faces the challenge of switching from a cheap labour economy to that of a semi-industrial nation. In recent years new manufacturing jobs have not compensated for the loss of old ones and a concerted effort is being made to improve skills and technologies.

This structural change will be difficult and costly to achieve but there are signs of growing optimism, underlined by Dr Noel Zarb Adami of the Malta Development Corporation. "We feel that the remainder of the 1980s offer a much more optimistic picture than earlier years. We are now looking for new investors to come to Malta and we feel the mood is improving," he says.

Party balance key to stability

Politics

GODFREY GRIMA

THE TWO main political parties must produce a formula to guarantee the island its parliamentary democracy if chaos is to be avoided in the aftermath of next year's wide open general election.

Assuming that both parties retain their finely balanced electoral strength—a distinct possibility—agreement must be reached on how Malta is to be governed, whether by a party winning a popular mandate or by a vote which secures a parliamentary majority.

In 1981 there was an anomaly. The ruling Labour party gained three more parliamentary seats than the Nationalists, who polled 4,000 more votes. Any party now believing it can rule efficiently without the tacit consent of the other, in an acutely polarised country like Malta, is burying its head in the sand.

The point is not lost on either the Prime Minister, Dr Carmelo Mifsud Bonnici, who is leader of the ruling Socialist party, or his political foe Dr Eddie Fenech Adami, who leads the opposition Nationalists. Their problem is how to convey the need for a bi-partisan pre-election accord to their own followers.

In the run-up to the elections Mr Bonnici is unequivocally committing himself to preserve the island's democratic institutions and, if only in guarded tones, to uphold the will of the voting public.

"Malta's interests," he recently told a trade union rally, "supersede those of the party." This rankled with those within his Cabinet who are publicly opposed to negotiating changes in the election rules.

Mr Bonnici seems determined that the next elections will not produce a perverse result similar to that of 1981. He realises this could have serious consequences and plunge the island in a political row that would impair its vaunted political stability.

The Nationalist party at the same time is unwilling to sit on the opposition benches if next year it again beats the Labour party by a considerable number of votes but wins fewer seats in the 65-member House of Representatives.

The odds are that in the end an agreement will be hammered out on how to reform the island's proportional representation electoral system.

Short of thoroughly overhauling the electoral system, various ideas have been discussed at rounds of stop-go talks involving both parties. The negotiations have yet to produce crystal clear proposals on how to face the votes with a new set of rules; and with the discussions again at a standstill there is little prospect of a deal being reached before the summer.

A plan which temporarily promised to break new ground was submitted last year to both parties by the former Premier Mr Dom Mintoff, who nowadays keeps a keen eye on the country's political performance.

His suggestions were simple and shrewd, but neither party, in the end, cared much for the idea of having its future prescribed by Mr Mintoff.

The Mintoff plan would have allowed the party gaining most votes but fewer seats in Parliament the right to co-opt enough MPs to allow it to govern. Mr Mintoff also wanted to invest the mainly figure-head president with increased authority, including discretionary powers traditionally exercised by the Prime Minister.

The possibility of Malta being ruled, as in France, by a president and a prime minister from opposite camps seemed likely to relax political tensions in the island. But the plan took too much for granted, including an assumption that the president and the prime minister would enjoy a harmonious relationship transcending Malta's parish pump politics.

Many suspected Mr Mintoff of preparing the ground to install himself as president, and this urged some government ministers and then the Nationalist party to shoot the plan down.

During his 13 years as Prime Minister, Mr Mintoff became renowned for radically reforming Malta's political, social and economic institutions. Most institutions reflect still his time in power.

The banks were roped into the public sector to fit an ideology which conceded nothing to private sector control of sensitive economic sectors.

Neither of the two major commercial banks, Bank of Valletta and Mid-Med Bank, fared badly after being nationalised, as things developed. Both show healthy profits, participate massively in government and private development projects, and enjoy widespread popular backing.

Dr Eddie Fenech Adami, leader of the opposition Nationalists in front of the party's headquarters

A future Nationalist government would find it difficult to privatise the banks, given their dominant role in the amount of current development.

Broadcasting, acquired from the Rediffusion company of the UK in 1975, again appears unlikely to leave the public domain. There is evidence that the island's radio and TV stations do the government's political bidding and many Maltese would like to see broadcasting as free from state control as it is in the UK.

The judiciary, to its credit, has kept its distance from the executive. Complaints by the Opposition of the unethical transfer of judges from court to court—a favourite government ruse whenever cases concerning its behaviour are due to be heard—and the closure for 18 months of Malta's Constitutional Court, say more about government's excessive use of its powers than the court's impropriety.

Some changes were dictated by a need to improve the island's cultural institutions. However, many people saw the remedy as excessive—as shown by the way the 300-year-old university was reformed.

Believing that the university was too much concerned with training people for the "wrong" professions, Mr Mintoff tried to turn higher education into a utility asset to serve the industrialisation programme, which reduced the university's status to that of a polytechnic.

Mr Mintoff no longer exercises any great influence, however, and Mr Bonnici shows little taste for sweeping changes. His concern is to reap the benefits of past reforms if his party is re-elected and to ensure a smooth transfer of power if it loses next year's political battle.

PROFILE: DR CARMELO MIFSUD BONNICI

Relaxed conciliatory leader

THE PRIME Minister of Malta, Dr Carmelo Mifsud Bonnici, owes everything to his predecessor, the all-powerful, autocratic Mr Dom Mintoff, who ruled the island pugnaciously for 13 years.

To universal surprise, Mr Mintoff stepped down in December 1984, handing over to the man he had picked, promoted and proclaimed as his heir.

In many ways it was a curious choice. Dr Mifsud Bonnici, an ascetic lawyer, had never stood for public office, had none of Mr Mintoff's charisma, and was not a senior figure in the ruling Labour Party.

The choice has never been fully explained, but many observers say that Mr Mintoff's aim was to avoid an internecine battle for succession within the ranks of the Labour Party.

Dr Mifsud Bonnici was not viewed as a possible leader until 1983, when Mr Mintoff found him a seat in Parliament, gave him the Education Ministry — a key post because of the running battle with the Roman Catholic church over fee-paying schools — and designated him as deputy prime minister and his chosen successor.

In the 1960s and early 1970s, Dr Mifsud Bonnici was legal adviser to the Malta Young Christian Workers movement, and later to the Government-controlled General Workers Union.

Prime Minister Dr Mifsud Bonnici: his tone is relaxed and conciliatory

His breakthrough came later, however, when he endeared himself to Mr Mintoff by masterminding the Labour Party's election victory of 1981.

Through an elaborate system of boundary changes just before the vote, Labour narrowly won victory in spite of securing fewer votes than their Nationalist Party rivals.

Since taking office, he has adopted a very different style from his predecessor, without essentially changing any of the Mintoff policies. The essential plank of Malta's foreign policy remains neutrality and non-alignment and a wish to conduct trade with anyone. This has involved close links with the Eastern bloc, particularly Russia, and with Libya.

But where Mr Mintoff adopted aggressive tactics of playing East against West, Mr Mifsud Bonnici's tone is moderate and conciliatory. Links have been repaired with traditional trading partners in the European Community, and the relationship with Britain, strained to breaking point by Mr Mintoff, is now more relaxed.

On the domestic front, the country remains bitterly divided between the Labour Party and the Nationalists, but Mr Mifsud Bonnici shows himself much more willing to consult political opponents as well as friends. He has had productive talks, for example, with leaders of the private sector of industry who had been out in the cold for years under Mr Mintoff.

Richard Evans

Dominance of Western deals accepted

Trade

RICHARD EVANS

MALTA HAS to import virtually everything but rocks, said one government official philosophically, and the comment sums up the country's problems. It is utterly dependent on trade and in order to pay for its imports it has to have an export-orientated economy.

This has not been easy because of the small domestic market and the absence of natural resources.

Malta runs a perennial trade deficit but this has usually been brought into balance by income from tourism and nther invisible foreign exchange earnings, together with aid from the European Community and elsewhere.

The pattern was badly distorted, however, when after unprecedentedly rapid growth in the late 1970s, the economy went sour in 1980. The recession in Malta's principal markets meant that investment dried up and export markets became increasingly hard to find.

A determined effort was launched to expand Malta's trading base in order to generate exports and create jobs. Mr Dom Mintoff's government juggled with more and more barter deals, particularly with Russia and other Eastern European countries, and trade controls were introduced.

Japanese imports were banned after Japan refused to buy more goods from Malta and restrictions were imposed on Italian and French imports. It was an unhappy and divisive time.

The depressed state of most of Malta's main trading partners, coupled with an inflated exchange rate for the Maltese lira, caused a substantial fall in exports in 1982 and 1983. The search for new markets might have helped, but only marginally.

Trade has now returned to a more normal pattern, partly because of the ending of the recession in Western Europe, and partly because of the more relaxed policies of Mr Mintoff's successor, Dr Carmelo Mifsud Bonnici. He follows a very pragmatic foreign economic strategy. The balance of trade currently shows a deficit of about ML 150m.

Although barter deals with Eastern Europe, Libya, Iraq and others are still actively encouraged — the Prime Minister pursues a policy of neutrality and non-alignment and welcomes trade with any country — the continuing dominance of Western Europe in Maltese trade is accepted more readily than under Mr Mintoff.

In 1985 European Community countries supplied about three quarters of Malta's total imports and bought 66 per cent of its exports. Italy supplied about one-fifth of imports (excluding oil), followed in order of volume by the UK and West Germany.

Primary exports

West Germany was Malta's primary export market, taking almost a third of exports, followed by the UK. By far the strongest element nf Maltese sales to West Germany which account for almost half the EEC total were clothing and footwear.

UK exports to Malta last year amounted to £101m, consisting mainly of capital machinery, transport equipment and consumer goods. Imports from Malta totalled £52m, mainly clothing and processed textiles, but the deficit was virtually covered by Maltese earnings from tourism.

The Maltese Government's attempts to expand trade by barter deals with Eastern Europe and elsewhere have met with mixed success. A 1981 trade agreement with Russia did not raise exports to the Eastern bloc — the fact is that Malta does not make enough goods the Russians want to buy.

But in 1984 a new agreement was signed that committed the Soviet Union to spend $265m over three years on goods and ship repair services on the island. The most important deal done so far with the Soviet Union has been for the building of eight timber carriers at the new Marsa shipyard.

Malta hopes later this year to sign a new, wider hased counter-trade deal with Russia for $365m. It has its sights set on increased orders for ships, ship repair and locally assembled product.

China gave Malta a soft loan in the early 1970s and later built dock No 6 in the Valletta drydocks complex, a huge repair dock capable of taking ships of 200,000 dwt. Bnt hopes of a major increase of trade with China have not been fulfilled.

Libya is the island's largest non-European trading partner and Malta wants to encourage its nationals to work there in order to ease the serious unemployment problem at home. About 800 Maltese work in Libya at present hut it is not popular because of separation from families and difficult social conditions.

Following an improvement in what was an unstable commercial relationship with its near neighbour, Malta, has now regained its substantial share of the Libyan market. In 1984 Malta Exported ML17m worth of goods to Libya compared with direct imports of only ML 175,000. In addition, there is the counter trade agreement under which Malta prodnces textiles, medical products, shoes and electrical goods and in exchange receives oil, coal and cars from the Soviet Union and crude from Libya.

To balance these counter trade deals Dr Mifsud Bonnici is pushing for economic and co-operation treaties to be signed with the US and Italy. Apart from the commercial benefits, the Prime Minister believes such deals would help to redress the balance of the last few years when Malta appeared to have cultivated the Eastern bloc and others to the apparant exclusion of its traditional trading partners in the West.

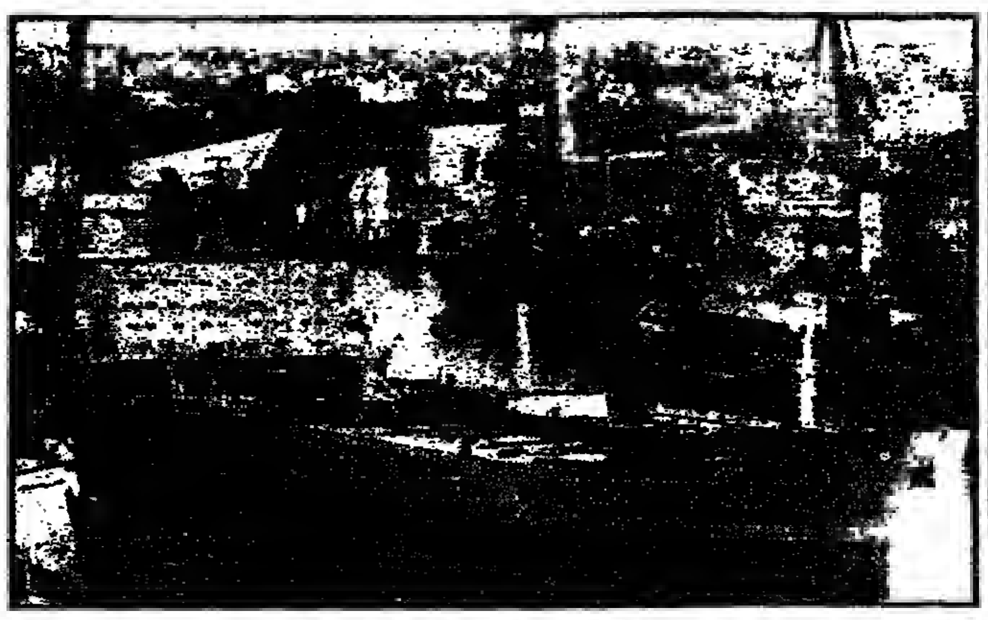
Trade in 1985

Lira (m)

	Imports	Exports
European Community	258.0	124.3
US	20.3	11.9
Soviet Union	5.1	10.2
Italy	81.8*	17.4
France	14.5	5.1
Japan	4.2	0.3
West Germany	63.1	57.4
UK	65.7	29.9

* Includes £24.4m-worth of fuel refined in Italy.

Source: Central Office of Statistics, Malta.




Malta Drydocks in Valletta is the island's largest single employer and the bulk of trade by sea comes through the port. Right: the production line at SGS-Ates, one of the few high-technology businesses in Malta

Confidence returns to the sector

Manufacturing

GODFREY GRIMA

SYMPTOMS OF a slight recovery by Malta's manufacturing industry, racked for years by declining export growth and stagnant investments, are beginning to be visible.

Exporters surveyed recently by the Island's respected Federation of Industry (FoI) report that order books are filling up and that machine utilisation is exceeding 80 per cent. Short working weeks are declioing while there are prospects of new jobs later this year.

Feedback reaching the Maltese Government's Development Corporation (MDC) show that recent campaigns to attract overseas investment have been cost-effective.

"Confidence is picking up all round. There's no doubt about that," asserts Dr Noel Zarb Adami, the head of MDC.

No one should expect from these results that Maltese exports will soon reach the heights achieved in the 1970s or that manufacturing industry is out of the wood.

Competition in West European markets from South East Asia and North Africa are impeding factories producing an assortment of garments, plastics, metals, chemical products and footwear—mainly from a technology two generations out of date.

Europe, by snappiog up each year an overwhelming proportion on Malta-made semi-manufactures, is vitally important. From exports reckoned at ML187m (£108m) in 1985, shipments to the European Economic Community exceeded ML124m.

In sharp contrast, the whole of Eastern Europe, the Soviet Union included, purchased ML14m worth. Sales to Libya, which operates a number of factories io Malta hovered at around ML12m.

A 16 per cent exports growth last year indicated costlier imported raw materials rather than more sales.

Several factors lie behind Malta's poor export performance. One of them is a strategy, launched in the 1960s, which nourished industrial expansion on a diet of cheap labour and low technology. For two decades this gave gratifying results.

By 1979, when British military installations were permanently closed down losing the island an annual ML28m, it seemed nothing could seriously handicap Malta's manufacturing activities. Factories were supporting 34,500 jobs and turning out ML215.8m worth of assembled goods, half of which were exported.

Suddenly, in 1982, exports flagged and then dropped dramatically. The downturn is also blamed on an unrealistic incomes and prices policy.

Exports were burdeoed with annual wage increases often as much as 15 or 17 per cent. To counter imported inflation, the value of the Maltese pound was propped up to misjudged levels. Inevitably, export prices jumped to an uncompetitive height.

It is easy to see now how these stringent impositions could have stimulated exports further. Instead, the former premier Mr Dom Mintoff ran for shelter under a series of countertrade accords with countries like the Soviet Union, Libya, Poland and Czechoslovakia.

The deals helped some major textile and other concerns out of their distress hut provided no relief for mainstream producers. Investments ran dry at the same time as exports lost their thrust in the early 1980s.

The decline is blamed on controversial election results. Having won a clear popular mandate and 4,000 votes more than the ruling Labour party, the oppositioo Natiooalists, led by Dr Eddie Fenech Adami, dug their heels in with a claim to rule. This gave the impression Mr Mintoff's government could be toppled.

Manufacturers fought hack with remarkable resilience and eventually only a few of the 220 firms with investments from Britain, the US, West Germaoy, France, Italy, Libya and Czechoslovakia collapsed.

Survival for many concerns meant trimming their workforce down to a hare minimum, which sent unemployment up. Others modernised their products, moving into markets where the challenge from mass-produced goods from Taiwan and Morocco was less fierce.

As exports and investments dwindled, Mr Mintoff's clear option was to reverse his policies. Instead he resigned, and handed over to his successor, Dr Carmelo Mifsud Bonnici. The change, a year ago, hegan a new phase which promises higher exports and renewed foreign investment.

Soon after taking over, Mifsud Bonnici began relaxing the impositions on industry aod allowed the value of the Maltese pound to fall. To regain lost terrain in sterling territories he pledged subsidies for exporters who found the Maltese pouod too hard.

This has encouraged the island's exporters, whose optimism, according to an F.I. survey of the past six months, is now at its highest for years.

Dr Mifsud Boonici may well satisfy exporters' further expectations. He seems little beholden to his predecessor's ideas and says that his main concern is to see increased exports lead to fuller use of Malta's excess industrial capacity.

Unlike Mr Mintoff, he finds heavy industry less of an immediate solution for Malta than the production of value-added computer components if high-tech industry could he attracted to the island.

Admittedly, Malta should have completed the transfer to high technology five years ago. But the Maltese, past-masters at adopting to change, are unlikely to allow their important industrial base to become obsolete and the idea of developiog Malta into the Silicon Valley of the Mediterranean is beginning to capture everyone's imagination.

High-technology companies, says Dr Zarb Adami, create a demand for quality control and a highly trainable labour force. They also would want to be close to their markets.

Malta's economic advantages also include cheap cash with interest rates pegged down to 7.5 per cent, an agreement which allows its exports to enter the EEC duty-free, a preferential tariff accord with the US, and access to vast markets like the Soviet Uoion, China and some countries in the Middle East.

High-technology ventures which have begun to trickle into Malta find the Island profitable enough. An Italian company whose offshoot employs 700 Maltese, says the rejection rate is much lower than from South East Asia.

Dr Mifsud Bonnici claims that attitudes have changed. This could mean anything from an immioent revival of effective industrial inceotives to scrapping "disiocentive legislation" enacted in the Mintoff years in deference to FOI demands.

MALTA 4

Mgarr harbour on Gozo, Malta's sister island. Below: One of Valletta's carefully restored buildings — The Maison Demandols — now the headquarters of Mediterranean Insurance Brokers

Campaign to attract more tourists is beginning to succeed

Spring-cleaning the holiday house

Tourism

RICHARD EVANS

THE MALTESE authorities have launched a big publicity campaign throughout Western Europe, but especially in the UK, and the reason is clear.

Tourism used to contribute well over a quarter of the island's foreign exchange earnings, and the loss in recent years of some of its popularity as a holiday destination has had a severe impact on the economy.

The high point for arrivals and receipts was reached in 1980, when over 728,000 visited Malta or its sister islands of Gozo and Comino. Numbers slipped back in 1981, fell sharply in 1982 (down 28 per cent) and continued to fall at a more moderate pace in 1983 and 1984.

The reasons were not hard to find: the currency had become over-valued, costs were too high, standards had slipped because of the over-rapid expansion, and the then Prime Minister, Mr Dom Mintoff, appeared to relish offending the countries on whom Malta relied for tourism. The British and others found better value or more congenial destinations in Spain, Portugal and Greece.

The Maltese authorities realised that lessons had to be learned, and that their own holiday house had to be put back in order. They had a lot going for them. An ideal Mediterranean climate with some of the cleanest water in that variable sea, marvellous historic sites like silent Mdina the old capital, and fortified Valletta, the new capital built after the Great Siege of 1565 by the Knights of St John. And, if such things are important, an English-speaking population, London newspapers on the day of publication, and traffic that drives on the left. What was lacking was competitiveness.

Wages and prices were pegged, and the Government gave the go-ahead for a series of major projects to improve the country's infrastructure which had been overstrained severely by the explosive growth of tourism in the late 1970s.

There were frequent cuts in electricity supply, because of excess demand in the peak season; the telephone system could not cope; and worst of all, there were frequent water shortages resulting in lengthy cuts. Most of the essential improvements, including extra power and more water from desalinisation plants, will be in operation by the summer.

There is also a programme aimed specifically at the higher quality market. Some areas, especially around Sliema, the island's largest town, are being zoned so that better facilities can be provided to attract bigger spenders.

A new terminal is being built at Luqa airport and plans are well advanced for a helicopter connection between Luqa and Gozo, which at present is a tiring coach-and-ferry journey after a three-hour flight from London or Northern Europe.

Specifically for the UK, a differential exchange rate has been introduced for tour operators, and aircraft fuel costs have been reduced so that holidays can be more competitive. Malta should be 15 to 18 per cent cheaper this year than it was last.

The signs are that the campaign to attract more tourists is beginning to succeed at an increasing pace. Arrivals rose last year for the first time since 1980, with an overall increase of 8 per cent to 517,000, although the total from the UK was down by 5 per cent to 256,000. This represents a fraction under 50 per cent of the total compared with a high of over 76 per cent in 1980.

Apart from the exceptional 138 per cent increase from Libya, caused by the flood of tourists (allowed in without passports) buying consumer durables, especially spare car parts they cannot get at home, the biggest increases were from Belgium (up 46 per cent), and, more important because of the numbers involved, from West Germany (up 33 per cent to 57,000).

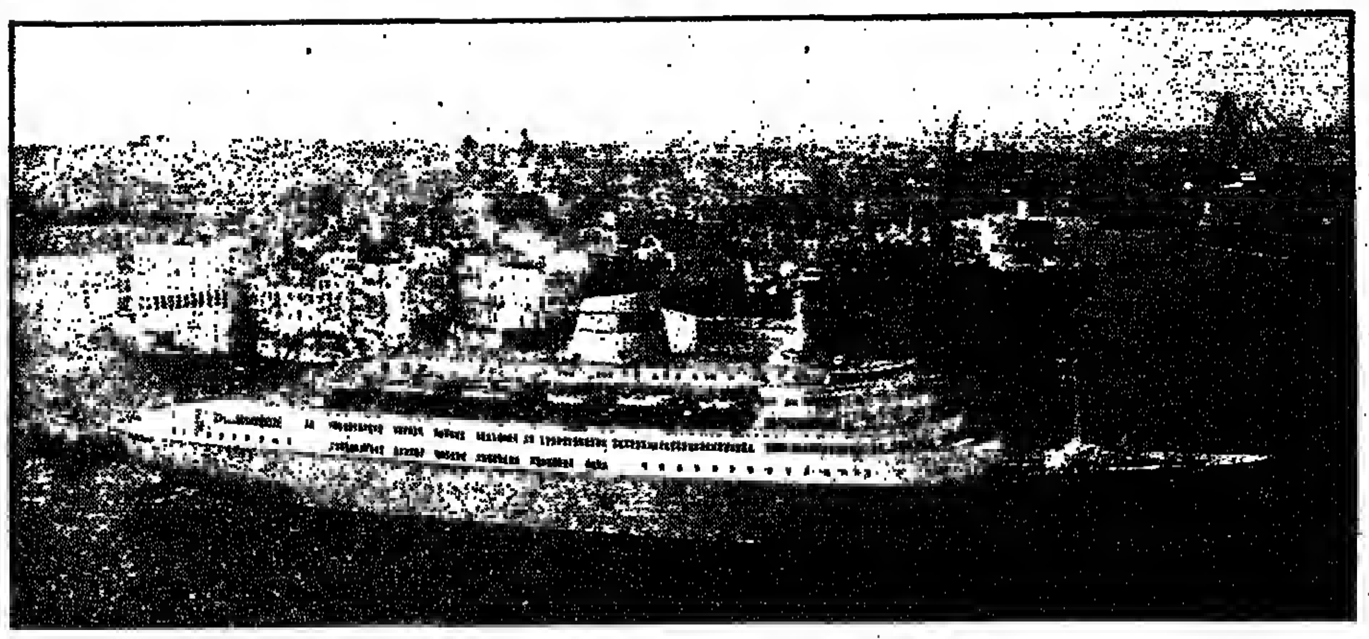
The signals are even more favourable for this year. Tour operators in Britain forecast an increase of around 38 per cent in tourists to Malta, and advance bookings to the island are well up on most competitors.

One proposal is to seek to make Malta, with its historic and archaeological sites and its mild climate, a winter resort for Germans, leaving the British dominant in the summer when the Germans prefer hotels on the beaches of Spain, Greece and Yugoslavia. The latest statistics show this is working well, with 23 per cent of West Germans visiting Malta between November and February, and 54 per cent in the shoulder months of spring and autumn.

Gone are the days when Malta could rely on its George Cross image of heroism and sacrifice in the war to attract the older British visitor. It now has to compete on the same basis as its competitors to attract the younger generation.

But a fundamental choice remains: should Malta seek to go up-market, with more yacht marinas and first class hotels, or should it continue to go for the mass market against the formidable competition of Spain and the rest?

The authorities prefer the former prospect — most countries' tourist authorities do in theory—but appear to be keeping their options open. The target is to get 1m tourists to Malta by the end of the decade, which suggests that mass market appeal will continue to be a significant element.



The Cunard/NAC cruise ship, Vistafjord, in Valletta's Grand Harbour

Flag carriers see better times

Infrastructure

GODFREY GRIMA

TWELVE YEARS ago Malta tried to challenge the domination of foreign airlines and shipping companies handling its air and maritime traffic by launching its own flag carriers, Air Malta and Sea Malta.

Malta's changing trade patterns in the 1970s called for a rapid expansion of the air and sea links which foreign companies were not providing.

Tourism needed to diversify its markets deeper into Western Europe while manufacturers wanted regular sailings at competitive freight rates to ports in Western Europe, the Middle East and, to a lesser extent, Eastern Europe and the US.

There had also been a chorus of complaints against foreign shipping lines whose surcharges were causing the island's imported inflation to rise out of control.

Misgivings about the future of Air Malta and Sea Malta and changes in their start-up dates were widespread. Air Malta, with its two Boeing airlines leased from Pakistan International Airways, took off in the middle of an oil crisis and a price war that was grounding stronger airlines.

Sea Malta, competing for business against better financed and connected European shipping lines, was finding it difficult to survive.

To run both organisations the government named as executive chairman Mr Albert Mizzi, a talented entrepreneur whose sharp business prowess years ago gave him a reputation of being a cut above the average Valletta businessman.

At Air Malta the scene changed with each passing year. New routes were opened and traffic built up sufficiently from 207,906 passengers in 1975-76 to 400,000 five years later. Last year it settled down at 360,000. A proper fleet of aircraft was bought, including three new Boeing 737s purchased in 1984.

Scheduled services were inaugurated to capitals never before served directly from Malta, including Amsterdam, Cairo, Frankfurt, Rome and Tripoli. These were traditionally run by British Airways, Alitalia and Libyan Airways. Charter flights began to pick up an ever-increasing number of passengers from 24 other cities from Aberdeen to Toulouse.

Air Malta's fortunes are still dictated mainly by those of the developing tourist industry. But the airline now makes every effort to stand on its own feet. For example, it no longer insists on sharing passenger loads on a 50:50 basis with other airlines flying regularly to Malta, which was irritating for the foreign rivals but secured business for Air Malta.

"We would much prefer to compete on our own merits. The laws of business dictate that if we get to the market in time with the right product at the right price we should do well," says Mr Mizzi who still puts in a 16-hour day at Air Malta headquarters.

To its credit, the company has never had to rely on the exchequer and its profits have never gone below £1m in the 12 years it has been in business.

"We score by making people feel that their holiday starts immediately they step onto our aircraft. We are a tourist airline, not a major commercial airline, which means that we have a specific product to sell," says Mr Mizzi.

The ability to maintain a proper perspective earns Air Malta worthy dividends. Aircraft makers' and industry journals' awards gracing the walls of Mr Mizzi's office testify to passenger load and aircraft utilisation achievements.

Sea Malta, in sharp contrast, endured six difficult years with one huge financial loss after another. Seeking business on northern European routes, Malta's busiest, proved uneconomical and the competition with bigger lines almost ruined the company.

In 1980 the Maltest Government stepped in with protective legislation insisting that competing lines partner Sea Malta in liner conferences set up to cover the UK and northern European routes. Sea Malta was also given the right to carry 50 per cent of cargo from or bound for Malta.

This gave Sea Malta an opportunity to dismantle its costly Northern European services and carry charter freight with its conference partners. The company immediately sought lucrative ro-ro operations on Maltese export routes into Europe. Soon it began making profits in the Marseille, Livorno and Reggio Calabria runs.

Today the company sails once a week to Marseille and Livorno, where containers and trailers can meet ships bound for the US and the Middle East. It also operates three times a week to Reggio, runs a Northern European service every 10 days, another service to the UK, again every 10 days, and a container/conventional cargo service to Libya every 20 days.

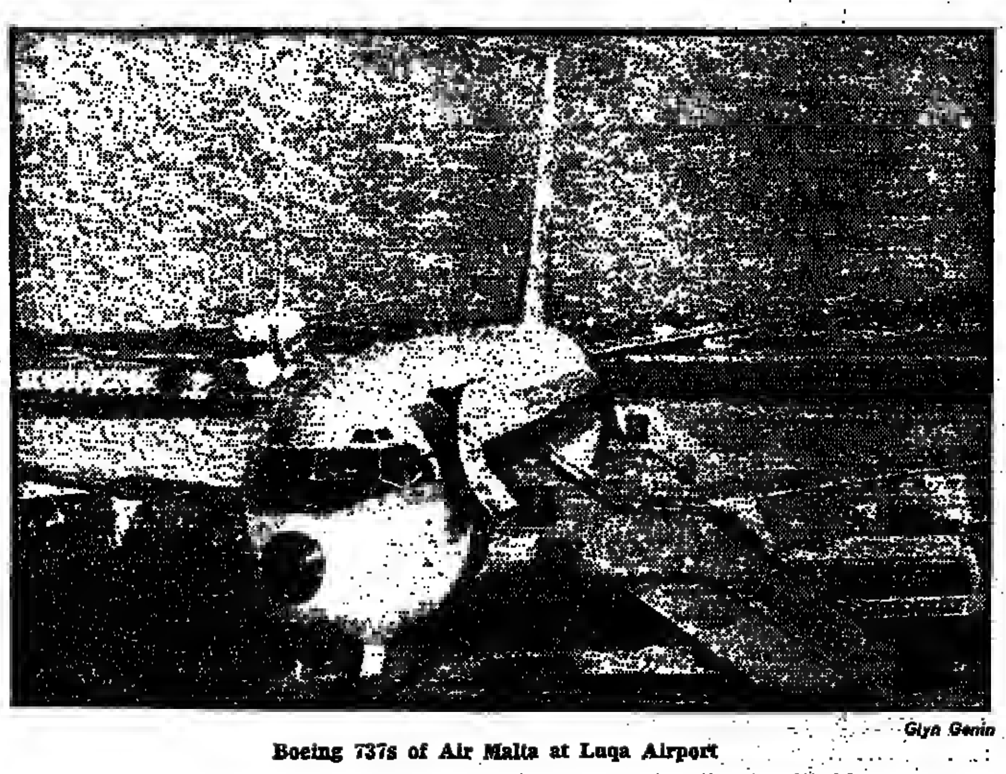
On average the company handles a turnround of 4,000 containers a year on the UK route and another 6,000 on the South Italy run. Little short of a calamity is now likely to reverse Sea Malta's fortunes.

"The 1980 legislation helped us to wind down unprofitable sailings, but we now generate a good 85 per cent of our own income. The pooling agreement brings in only about 15 per cent of our business," says Mr John Borg, who took over as company chairman from Mr Mizzi in 1981.

Seeking profits while trying to support the island's manufacturers often lands Sea Malta between two stools. But Mr Borg denies that the company is insensitive to exporters demands.

"To help manufacturers get into the US and Middle East markets we have waived freight rates for the Malta-Livorno-Marseilles leg," he says.

Having won a leading role in transport business generated by the island's tourist and manufacturing industries Air Malta and Sea Malta are unlikely to grow much bigger. It would be a mistake for either company to consider playing a role disproportionate to its size.



Glyn Genin

Boeing 737s of Air Malta at Luqa Airport

هكذا من الأصل

INTL. APPOINTMENTS

Gencor elects new chairman

BY JIM JONES IN JOHANNESBURG

MR TED PAVITT is to retire as chairman of Gencor, South Africa's second largest mining house, in August. His position is to be taken by Mr Derek Keys, who is being appointed from outside the group. Mr Keys will join the board as chief executive on May 15.

Mr Pavitt was chairman of the previously independent mining house, Union Corporation, until it was fully merged with General Mining to form Gencor in 1980. At that stage he became Gencor's executive vice chairman and moved into the postion of executive chairman in 1982 when Mr Wim de Villiers, his predecessor, retired suddenly. In 1984 Mr Pavitt ceased to be executive chairman, but remained on as chairman of a five-man executive committee of directors whilst the group sought a successor.

At present, Mr Keys is the chairman of Malcor Holdings, the investment holding company, and will retain a non-executive seat on Malcor's board after he joins Gencor.

Senior moves at Moeller

By Hilary Barnes in Copenhagen

A. P. MOELLER, the shipping, oil and industrial group, has made two senior management appointments following the recent death of one of the partners in the business, Mr Bjarne Fogh. Mr Flemming Jacobs is appointed manager in charge of both the group's liner and container traffic, which in future will be operated together under the name Maersk Line. Mr Michael Fiorini becomes manager in charge of group finances. Mr Jacobs is aged 42, and Mr Fiorini 38. They are responsible to Mr Maersk McKinney Moeller and the four partners in the shipping partnership, Mr Leif Arnesen, Mr Karsten Borch, Mr Ib Kruse and Mr Jess Soederberg.

Reorganisation for Aegon

By Our Financial Staff

AEGON, the Dutch Insurance Group, plans as an initial step to reorganisation of insurance activities in the Netherlands, to set up an Aegon Nederland executive. Members of the executive will be Mr K. J. Storm, president, also member of the executive board, Mr A. L. M. Kool, currently a member of the executive board, Mr G. F. Dippel and Mr P. van de Geijin, who are, in the existing set-up, regional managers of Aegon Nederland North-East and South-West, respectively, and Mr H. Witvoet, at the moment manager Group Life Aegon Nederland.

The Aegon Nederland Executive will be responsible for the operational management of all insurance and mortgage lending activities on the Dutch market and for paving the way for further organisational changes designed to reinforce the market-oriented approach.

Succession at Borden

Borden, the New Jersey concern with interests in foods and chemicals, has announced that Mr Eugene J. Sullivan, the chairman and chief executive, is to retire in November, when he reaches 66 years of age, reports Reuter from Flemington, N.J.

After the annual meeting, he says he will recommend that the board name Mr R. J. Ventres, the president, as his replacement, with the final decision up to the board, nevertheless.

Mr Sullivan offers to remain as a director.

Shareholders at the annual meeting approved the doubling of tha authorised common shares to 240m from 120m, partly to allow for a three-for-two stock split that takes effect on June 3.

Borden now has about 49m shares outstanding.

Mr Sullivan has been chairman and chief executive since 1979. Mr Ventres, 61, has been president and chief operating officer since July 1985.

* * *

GULF RESOURCES and Chemical Corporation, the Houston-based, diversified natural resource and energy company, has elected Mr Charles R. Klotz president and chief executive officer, in succession to Mr Donald D. McCuaig, who has resigned from these posts and from the board to pursue other interests. Mr Klotz has been executive vice president and vice chairman.

* * *

LOTUS DEVELOPMENT Corporation has appointed Mr Jim Manzi, its president, to the additional position of chief executive. He succeeds Mr Michell Kapor, the company's founder, who continues as chairman.

* * *

MR ZOLTAN MERSZEI will resign as vice chairman of the Occidental Petroleum Corporation board from Friday to pursue private interests. He will, however, be available to Occidental on a consulting basis.

Before joining Occidental in 1979, Mr Merszei served as president, chief executive officer and chairman of Dow Chemical Company. He was at Occidental, president and chief operating officer in 1979-80.

* * *

BANK OF TOKYO, the Japanese foreign exchange specialist, has appointed Mr Tamotsu Yamaguchi its resident managing director for the Americas and chairman of the board and chief executive of the Bank of Tokyo Trust Company, the US offshoot, reports AP-DJ from New York.

He succeeds Mr Eiichi Matsumoto, who is to return to Japan for a new assignment.

HK Exchange Fund recruits

SIR JOHN BREMRIDGE, the Hong Kong Financial Secretary, has appointed two new members to the Exchange Fund Advisory Board, Reports AP-DJ.

The appointments follow recent complaints about the Government's use of the fund to rescue ailing banks. The fund, which was established to hold the backing for the Colony's currency, contains the bulk of the Government's reserves.

The Fund is now managed by the Financial Secretary, the for Monetary Affairs and the heads of Hongkong and Shanghai Banking Corporation and Standard Chartered Bank, the colony's two note-issuing banks.

The two new appointees are Mr Kim Y S Cham, chairman of the Hong Kong Financial Futures Market, and Mr David Li, chief manager of Bank of East Asia Limited.

Federal Home Loan Bank director

THE FEDERAL Home Loan Bank Board has appointed Mr Thurman C. Connell, an official with the Federal Home Loan Bank of Atlanta, as acting director of the Federal Savings and Loan Insurance Corporation (FSLIC), reports AP-DJ from Washington.

Mr Connell will succeed Mr Angelo Vigna, who has been acting director for the past five months. Mr Vigna, who holds the post of executive vice president and chief supervisory agent with the Federal Home Loan Bank of New York, is to return there.

Mr Connell, a member of the staff of the Atlanta Home Loan Bank since 1964, is executive vice president and chief supervisory agent at the Atlanta bank.

The bank board has not said when it will name a permanent FSLIC director. The post became vacant last October, when Mr Peter Stearns resigned.

GM board nominations

GENERAL MOTORS Corporation has nominated as directors Mr James D. Robinson III, the chairman and chief executive of American Express, and Mr Dennis Weatherstone, chairman of the executive committee of J. P. Morgan and Co.

Four of the company's 24 current directors will not stand for re-election because of a director retirement policy.

Mr Thomas A. Murphy, the former chairman, will, however, stand for re-election, in exception to the policy, at the board's request.

ITT senior vice-president

MR ALAN G. LUTZ has been appointed a vice president of ITT Corporation, the US communications company. Mr Lutz is also a senior vice president of ITT Europe and group executive - international operations.

Mr Lutz, based in Brussels, has headquarters management responsibility for ITT's telecommunications companies in Austria, Denmark, Finland, the Netherlands, Portugal, Sweden and Switzerland.

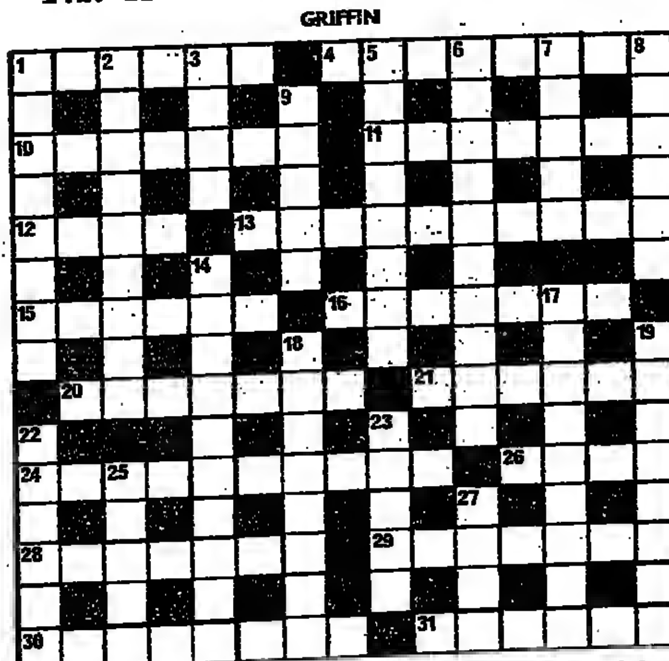
President of Ethyl

MR RAY WILKINS, Jr, 43, has been appointed president of the Chemicals Group of Ethyl Corporation, of Richmond, Va. He takes over from Mr James M. Gill, 63, who has retired.

Mr Roger A. Moser succeeds Mr Wilkins as executive president of the Chemicals Group.

F.T. CROSSWORD PUZZLE No. 6,002

GRIFFIN



ACROSS

1 Chatter for a short time after the band returns (6)
4 Suggest I eat cooked mint when turning in (8)
10 First left when entering the plant (7)
11 That which defends a striker on duty (7)
12 "The Man I Followed" by Virginia North (4)
13 On leave, came across a Pole in a French division (10)
15 —and in the case of Mr Doonican, one causing damage (6)
16 Ring Mr A. D. Church about a close companion (7)
20 Managed to get pass and went ahead (7)
21 Old copper has meals cooked by maid (6)
24 The box key Olive isn't prepared to bring round (10)
26 Some nonsense on the first aid list (4)
28 After the week-end there's about a thousand left in the citadel (7)
29 A cute sort of exclamation of surprise in a vineyard (7)
30 Hangs back with the American in passes (8)
31 Attend to the boil (6)

DOWN

1 Rescue the dog the redhead abandoned (8)
2 In a tin bra designed for a woman holding a trident! (9)
3 One ought to get the terriers a small amount (4)
5 "Scottish Island Uprising" by Bill the story-teller (8)
6 On the motorway brought back the stuff that's unimportant (10)
7 Not sleeping on a Northern holiday (5)
8 Arranged a test on a quarter of one's total possessions (6)
9 Is the one missing always separate? (5)
14 The wretched man appears in poor value entertainment (10)
17 Cheating pretty girl with love nest (9)
18 Discussed one's new study outside (8)
19 Joy will be given an excuse, certainly (8)
22 Posts Kate's letters on the way (6)
23 Might start cutting in front (5)
25 City Editor held by the French (5)
27 Auction the music centre the porter is after (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Clerical Medical Managed Funds Ltd
15 St James's Sq, London SW1Y 4LQ 01-930 5474

Cap	163.2	169.2	+0.7	—
[illegible]	[illegible]	[illegible]	-1.2	—
Fixed Interest	239.4	252.1	+0.0	—
UK Equity	328.6	338.5	-3.7	—
Property	146.1	152.2	+0.1	—
Overseas	272.2	286.3	+6.5	—
Index Linked	122.4	124.2	+1.1	—
Stock Exchange	159.9	162.9	-0.7	—

Prices on April 16. Unit dealings on Wed.

Colonial Mutual Group
24 Ludgate Hill, London EC4P 4BD 01-248 9861

CML (Unit Assurance)

[illegible]	154.90			—
[illegible]	181.78			—
Cash	118.07	124.29		—
Equity	225.50	237.37		—
Fixed Interest	167.47	176.29		—
Managed	195.92	206.23		—
Property	178.75	188.16		—

CML (Pension Annuities)—Rainbow Plans

Cash Cap	112.63	118.57	+0.13	—
Cash Inc	121.48	128.26	+0.22	—
Equity Cap	298.27	313.98	+2.64	—
Equity Inc	322.63	339.64	+3.38	—
Fixed Int Cap	185.98	195.78	+2.33	—
Fixed Int Inc	201.13	211.78	+2.06	—
Index Link Cap	110.23	116.04	+1.15	—
Index Link Inc	117.24	125.52	+1.13	—
Managed Cap	227.12	239.10	+1.73	—
Managed Inc	245.70	259.64	+2.04	—

Commercial Union Group
St Helen's, 1 Undershaft, London EC3 01-283 7500

[illegible] Apr 15	51.21		-0.34	—
[illegible] Apr 15	268.39		+1.1	—

Prime Series—Life

Managed	227.7	239.7	-0.2	—
UK Equity	255.2	268.5	+0.5	—

Friends' Provident Life Office
Pixham End, Dorking (0306) 885055

Life Funds

Cash Accum	114.6	120.7		—
UK Eq Acc	181.5	191.1		—
Stewardship Acc	155.3	163.5		—
Fixed Int Acc	133.7	140.5		—
Index Linked Acc	100.7	106.1		—
Mixed Acc	153.1	161.8		—
Overseas Eq Fund	150.6	158.6		—
Property Acc	131.7	138.7		—

Individual Pension Funds

Cash Cap	114.7	120.8		—
Cash Acc	127.3	134.1		—
UK Eq Cap	172.1	181.2		—
UK Eq Acc	190.5	200.6		—
Stewardship Cap	161.0	169.5		—
Stewardship Acc	171.5	180.6		—
Fixed Int Cap	135.7	142.9		—
Fixed Int Acc	150.3	158.3		—
Index Linked Cap	92.7	97.6		—
Index Linked Acc	102.8	108.3		—
Mixed Cap	148.5	156.4		—
Mixed Acc	164.6	173.3		—
Overseas Fund Cap	160.7	169.2		—
Overseas Acc	178.7	181.9		—
Property Cap	102.3	107.6		—
Property Acc	113.3	119.3		—

Managed Pension Fund prices on request.

GT Management Ltd
8th Floor, 8 Devonshire Sq, EC2 01-283 2515

GT Plan Bond Fund	182.2	191.8	+1.1	—
GT Plan High Yld Fnd	192.8	203.0	-0.1	—
GT Plan Far East Fnd	150.9	158.9	+1.4	—
GT Plan N Am Fund	156.2	164.3	+3.3	—
GT Pln UK & G.E. Fnd	248.9	262.1	+1.1	—
GT Pln Worldwide Fnd	252.6	265.9	+2.7	—
GT Pension Bnd Fnd	210.0	221.1	+1.2	—
GT Pen High Yld Fd	239.0	251.6		—
GT Pen Far East Fd	210.8	221.9	+2.0	—
GT Pen N Am Fd	233.6	245.9	+5.3	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.

World Wide Growth Management

Yamaichi Dynamic Mngt Co SA

Zero Bond Fund Limited

PO Box 208, St Peter Port, Guernsey 0481 26268

Money Market Trust Funds

The Charities Deposit Fund

The Money Market Trust

Oppenheimer Money Management Ltd

Money Market Bank Accounts

Adam & Co. plc

Aitken Hume

Allied Arab Bank Ltd

Bank of Scotland

Barclays Prime Account

PO Box 125 Northampton 0604 252891

Britannia Investment Services Ltd.

74-78 Finsbury Pavement, EC2A 1JD 01-588 2777

Charterhouse Japhet plc

1 Paternoster Row EC4M 7DH. 01-248 3999

Citibank Savings

Save & Prosper/Robert Fleming

28 Western Rd. Romford RM1 3LB. 0708 66966

Tyndall & Co

29-33 Princess Victoria St. Bristol 0272 732241

J. Henry Schroder Wagg & Co Ltd

Enterprise House Portsmouth 0705 827733

Western Trust & Savings Limited

The Moneycentre Plymouth PL1 1SE 0752 24141

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Cr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr. Frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered price include all expenses. b Today's prices. c Yield based on offer price. d Estimated. e Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ♦ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◎ Yield column shows annualised rates of NAV increase. ◎ Ex-dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk.	46
BOC Grp.	32	NEI	11
BSR	14	Nat West Bk	30
BTR	45	P & O Dfd	45
Babcock	20	Plessey	28
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	125
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	$3\frac{1}{2}$
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Ind.	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

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INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Anglo Utd Dev	33	—	[illegible]		
—	♦Colby Res Corp	56	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	225	13 1	[illegible]	5 9	[illegible]
—	♦Emeo Int. 10c	33	—	—	—	—
—	Greenwich Res	85	—	—	—	—
Apr Oct	Hampton Areas 10p	183	23 12	3 75	0 9	14 9
—	♦Highwood Res	212	—	—	—	—
Fb Jun Ag Nv	Homestake Mining $1	£15¾	30.3	020d	—	0 9
—	♦McFinley Red Lake	210	—	—	—	—
—	♦Minorco Explorations	217	—	—	—	—
—	♦New Sabina Res C$1	45	—	—	—	—
—	Northgate C$1	220	9 77	—	—	—
Jan July	RTZ	725	28 10	22.0	♦	4 4
Jan July	Do 9½ pcLn 95-2000	£150½	28 10	09½%	14 0	[illegible]
—	♦Tara Expln $1	875	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax free to non-residents on application.
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- ¶ Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress.
- Not comparable
- Same interim; reduced final and/or reduced earnings indicated
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast or estimated annualised dividend rate; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

[illegible]

Albany Inv 20p	118		Fin 13¾% 97/02	£126¼	+⅛
Craig & Rose £1	£15		Arnotts	300	
Finlay Pkg 5p	49		CPI Hldgs	62	
Holt (Jos) 25p	780		Carroll Inds	200	−5
[illegible]	87	+2	Dublin Gas	33	
IRISH			Hall (R & H)	65d	
Fund 11¾% 1968	£104¼	+⅛	Heitan Hldgs	30	
Nat 9¾% 84/89	£102½	+⅛	Irish Ropes	80	
			Unidare	195	

"Recent Issues" and "Rights" Page 26
(International Edition Page 26)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

CONSTRUCTION CONTRACTS

Redeveloping Oxford Street

WATES SPECIAL WORKS has secured £22m of refurbishment contracts, the largest of which is for a scheme at the former Bourne and Hollingsworth Store in Oxford Street. To be known as the Plaza on Oxford Street the building will be totally transformed internally to provide over 29,000 sq metres of modern shopping facilities which will incorporate fully finished pedestrian malls on four floors. The well known facades will be renovated. Costing over £15.5m the refurbishment, which has been awarded by Kumagai Gumi of Japan, will take 84 weeks to complete.

Guardian Assurance has placed a £1.5m contract for the refurbishment of a terracotta faced six-storey office building at No 1 Dean Street W1. The 50 week contract commences this month and is unusual in that it utilises for what is believed to be only the second time in the UK a Tornborg S800 mini tower crane.

London and Manchester Assurance Co has awarded an office and shop refurbishment at 64/66 Oxford Street worth £710,000.

The reconstruction of the rink pad at Queensway W2 is to be undertaken for Queens Ice Skating. The project will cost £734,900 and is scheduled for completion in 19 weeks.

At City House, Croydon, refurbishment of offices for Philips Electronic and Associated Industries is underway on a 14-week contract worth £470,000.

Wates Special Works has also secured the office refurbishment at 5 and 6 Raymond Buildings from the Honorary Society of Grays Inn. The contract is valued at £949,000 and is scheduled for completion within 11 months.

Public sector contracts totalling over £2m include work for the Metropolitan Police at the Lambeth Support HQ in Lambeth Road SE1 which will take one year to complete, while at Watling Estate, Barnet, external repairs to houses is being undertaken for the London Borough of Barnet on a six-month contract.

£10m work for Tarmac

Contracts worth about £10m have been awarded to TARMAC CONSTRUCTION. Heading the list is a £2.4m contract for a retail store, discotheque and external works, for Urban Land Properties at Romford, Essex. Other projects include management contract for refurbishing a house in Upper Grosvenor Street, Mayfair, London, for Sepia Overseas Inc (£1.4m) and extending and altering a nursing home at Sheffield, for the Sisters of Mercy (Sheffield) Trustees (£1m).

Contracts also include a swimming pool complex at Barnsley, for Barnsley Borough Council (£890,000); an industrial and office building at Hemel Hempstead, Hertfordshire, for Granwood Holdings (£578,000); roadworks at Amble, Northumberland, for Northumberland County Council (£573,000); refurbishing former school classrooms at Plymouth, for Devon County Council (£471,000); a supermarket at Tonyrefail, Mid-Glamorgan, for Kwik Save Discount Group (£350,000) and a workshop and stores at Bolton, for British Gas (£329,000).

Tarmac Construction's contract housing organisation has three contracts: modernising 73 homes for Leicester City Council (£549,000); repairing and refurbishing two multi-storey blocks of flats for Birmingham City Council (£452,000) and modernising 30 homes at Long Eaton, Nottinghamshire, for Erewash Borough Council (£346,000).

ELLIOTTS OF READING, a Trafalgar House Group company, has been awarded a sub-contract by Sir Robert McAlpine & Sons worth nearly £1m. The refurbishment involves the fitting out of the Presidential suites on the 12th and 13 floors of Sea Containers House on the South Bank. The extensive package requires Elliotts to have management responsibility for the co-ordination of all activities within the sub-contract, under project managers PMI.

Local authority work for Glenlion

The GLENLION GROUP has won contracts worth £8.5m for new build and refurbishment works in the South East and East Midlands. Work has commenced on a £611,093 adult training centre for the London Borough of Croydon, a GLC/ILEA primary school at Thamesmead worth £718,371 and a £517,181 infants school at Orpington for the London Brough of Bromley.

New housing contracts include a £1.5m scheme of 52 sheltered flats at Hersham for Elmbridge Borough Council, a £1.1m design and build sheltered scheme of 40 flats and bungalows for sale to the elderly at Gillingham for the Guardian Housing Association, a £581,769 scheme of 24 sheltered flats at Crayford for the CDS Co-operative Housing Society, 11 houses at Ockley, Surrey, worth £321,979 for Thames Valley Housing Society and eight flats worth £246,228 at Swanley for Sevenoaks District Council.

Contracts in the public leisure sector include a £521,612 design and build multi purpose sports hall at Isleworth for the West London Institute of Higher Education and a £337,585 sports pavilion at Rosehill Park for the London Borough of Sutton. The group is also building a £734,000 industrial unit at Leatherhead for developers Canynge Bicknell.

In the East Midlands Glenlion has started work on a new build scheme of 28 houses at Sapley Park for Huntingdonshire District Council (£551,360), a contract to refurbish 29 existing houses at Coddington for Newark and Sherwood District Council (£338,471) and two similar refurbishment schemes of 22 and 31 dwellings at Sileby, Leicester for Charnwood Borough Council (£440,368).

Balfour Beatty to build motorways

Two motorway contracts with a total value of £9m have been awarded to BALFOUR BEATTY'S motorways and special projects unit. On the A38 Saltash by-pass, the contract involves the construction of 2.2 km of 10 metres wide single carriageway, 1.4 km of dual two lane carriageway, a 340 metres long tunnel bored in soft rock, two portals, one overbridge, retaining walls and associated works. The project is scheduled to be finished by July 1988.

The M20 Maidstone by-pass maintenance contract has been awarded by Kent County Council for the reconstruction of carriageway and hard shoulder in flexible pavement together with cutting, stabilisation and drainage. The work is in several sections totalling 1.5 km over the 4.3 km stretch of motorway between Junctions 7 and 8 of the M20. Work commences shortly for completion by November.

*

SHEPHERD CONSTRUCTION has secured a near £2.9m contract to build what is claimed to be the first non-grant aided urban housing scheme in Newcastle-upon-Tyne for over 30 years for the Abbey Housing Association. The contract is for the Leazes Development of 110 apartments and five houses. Located off Leazes Park Road, the development is adjacent to Newcastle's Eldon Square shopping centre. The scheme provides for three and four storey blocks of one and two bedroom apartments and three bedroom linked houses set round landscaped courts. The project is due for completion in September 1987 with the first houses being ready for occupation in December 1986.

South Shields road project

Five civil engineering contracts together worth £3m have been won by the Gateshead office of MOWLEM NORTHERN. On the western approaches to South Shields Mowlem Northern has started work on a 1.9 km dual carriageway which will run from Tyne Dock to Laygate. It will be partly new road and partly dualling of existing single carriageway with roundabouts, a footbridge and extensive retaining walls. Valued at £2.7m the contract is due for completion in spring 1988. The client is South Tyne Borough Council.

In Newcastle-upon-Tyne Mowlem is working on a £1m contract for the reclamation of Vickers Elswick factory site (phase 2) for Newcastle City Council. The work, which will be completed by the end of the year, includes major excavation and demolition, sheet piling and revetments to the river banks. The site is to be used for a large shopping, leisure and business complex.

A second reclamation project, at Deptford and Greenwell Dock, Sunderland, has been awarded by Sunderland Borough Council. The £580,000 project comprises filling in the old dry docks behind a new retaining wall and constructing a suspended quay over the lock pit area. Various smaller contracts awarded include revetment works to the River Team for Gateshead Borough Council (£280,000) and the construction of Christon Road sewer for Newcastle City Council (£195,000).

*

Fabrication and erection of 500 tonnes of multi-storey steel stanchions, beams, metal decks, shear studs and stairs for an office development in Finsbury Avenue heads a £2m round of orders for REDPATH ENGINEERING, a member of the Trafalgar House Group. The order was placed by Laing Management Contracting for delivery and erection in 10 weeks. The client is Rosehaugh Greycoat Estates.

For phase two of BSC's hot strip mill development at Port Talbot, Redpath will supply 600 tonnes of plated gantry girders. Further structural steelwork is underway on the first phase of a development at Berwick on Tweed combining a Baptist Church and a supermarket for Stanley Miller.

*

WALTER LAWRENCE PROJECT MANAGEMENT is acting as developer and main contractor on a £1.7m livery hall and office complex for the Farmers and Fletchers companies, at 3, Cloth Street, London, EC1. The project, which is being funded by Scottish Amicable Life Assurance Society, is expected to be completed in December 1986. Arranged over basement, ground and four upper floors, the building has been designed around a central core with independent entrances to the offices, livery hall and ancillary accommodation.

PARLIAMENTARY DIARY

The week's business in Parliament

TODAY

Commons: Education debate on an Opposition motion tabled by the Liberal and SDP leadership. After 7 pm, remaining stages of the Animals (Scientific Procedures) Bill. Proceedings on the Statute Law Repeals Bill and on the Social Security Bill.

Lords: Airports Bill (Second Reading). Debate on EEC agriculture reports on cereals, milk production and farm prices.

Select Committee: Public Accounts. Subject: Arrears of work at tax offices. Witness: Sir Lawrence Airey, Chairman, Inland Revenue (Room 16, 5.15 pm).

TOMORROW

Commons: Until 7 pm an Opposition debate on housing, followed by one on transport.

Lords: Land Registration Bill (Third Reading). Family Law Bill (Second Reading). Legal Aid (Scotland) Bill (Third Reading). Patents, Designs and Marks Bill, Report.

Select Committees: Education, Science and Arts. Subject: Education expenditure: The public expenditure White Paper and Estimates, 1986-87. Witnesses: Department of Education and Science officials (Room 15, 10.30 am). Parliamentary Commissioner for Administration — Subject: Reports of the Health Service Commissioner. Witnesses: Sir John Walton, General Medical Council; representatives from the Medical Protection Societies and the British Medical Association (Room 5, 4.30 pm).

WEDNESDAY

Commons: European Communities (Amendment) Bill (Second Reading).

Lords: Debate on the serious increase in violent crime and need for measures to protect innocent persons. Unstarred question on the Forestry Commission.

Select Committees: Trade and Industry. Subject to be announced (Room 15, 10.45 am). Energy — Subject: The coal industry. Witnesses: Representatives from the Coalfields Community Campaign (Room 8, 11.00 am). Employment—Subject: Discrimination in employment. Witnesses: Representatives from the TUC (Room 8, 4.15 pm). Home Affairs—Subject: Rules for the redistribution of seats. Witnesses: Home Office officials (Room 5, 4.15 pm). Public Accounts—Subject: Redundancy payments to university staff. Witnesses: Sir David Hancock, Department of Education and Science; Sir Peter Swinnerton-Dyer, chairman, University Grants Committee, and Professor E. Marsland, committee of Vice-Chancellors and Principals (Room 16, 4.15 pm). Transport — Subject: Financing of rail services. Witnesses: British Rail officials (Room 17, 4.15 pm). Environment—Subject: Property Services Agency's main estimates 1985-86. Witnesses: Property Services Agency officials (Room 20, 4.30 pm). Unopposed Bills. Subject: Gull Island Protection; Ipswich Port Authority (Room 9, 4.00 pm).

THURSDAY

Commons: Housing and Planning Bill, remaining stages.

Lords: Gas Bill, Committee. Child Resistant Packaging (Safety) Regulations 1986, motion for approval. Surrogacy Arrangements (Amendment) Bill (Committee).

FRIDAY

Commons: Private Members' Bills.

Lords: Dockyard Services Bill (Second Reading). Housing (Multiple Occupation) Bill (Second Reading).

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

TOMORROW

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

WEDNESDAY APRIL 23

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

THURSDAY APRIL 24

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

FRIDAY APRIL 25

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

SATURDAY APRIL 26

DIVIDEND & INTEREST PAYMENTS—

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

April 21-25
International Brewing, Bottling and Allied Trade Exhibition—BREWEX (021-705 6707) NEC, Birmingham

April 21-25
International Packaging Exhibition—PAKEX (021-705 6707) NEC, Birmingham

April 29-May 1
British Electronics Week (0799 26699) Olympia

May 11-14
Business to Business Exhibition (01-729 0677) Barbican Centre

May 11-15
London International Furniture Show (01-385 1200) Earls Court

May 13-16
Communications Equipment and Systems Exhibition—COMMUNICATIONS (021-705 6707) NEC, Birmingham

May 18
Antiques Fair (01-883 7061) Alexandra Palace

May 20-22
RoSPA International Safety Exhibition (021-780 4171) NEC, Birmingham

May 20-24
Chelsea Flower Show (01-834 4333) Royal Hospital, SW1

May 23-June 1
National Home, Garden and Leisure Show — LIFESTYLE (01-222 9341) NEC, Birmingham

May 29-June 7
Fine Art and Antiques Fair (01-385 1200) Olympia

June 3-5
Chemical Engineering Industry Exhibition (01-855 7777) Earls Court

June 3-5
International Chemical and Process Engineering Show and Conference — EUROCHEM (01-891 5051) NEC, Birmingham

OVERSEAS TRADE FAIRS

Current
Third Saudi Oil Show (01-486 3741) (until April 24) Al-Khobar

April 22-26
International Packaging Exhibition—PROPACK (021-705 6707) Brussels

April 22-25
International Traffic Engineering Trade Fair (01-437 2175) Amsterdam

May 2-15
International Printing and Paper Fair—DRUPA (01-493 3893) Dusseldorf

May 5-8
Business Efficiency, Office Automation and Business Communication Exhibition — BEE/OFEX (01-855 7777) Hong Kong

May 12-15
Production, Organisation and Technical Aspects of Shows & Meetings, Trade Fair and Congress — SHOWTECH (01-740 4444) Berlin

May 28-June 4
Mechanical Handling, Machine Tool & Products Exhibition (01-439 3964) Paris

June 3-6
Retail and Distributive Exhibition—RETAIL EUROPE (0724-794161) Amsterdam

BUSINESS AND MANAGEMENT CONFERENCES

April 20-22
The Economist: Entrepreneurship in practice—developing and managing innovation in large corporations (01-839 7000) Ettington Park Hotel, near Stratford upon Avon

April 21-22
Airfinance Conferences: The Annual Airfinance Conference (0376 62262) Plaza Hotel, New York City

April 22-23
Institute for International Research: Cashing in on plastic card evolution (01-434 1017) 22 Portman Close, W1

April 22-23
FT Conferences: The prospects for tourism in Britain (01-621 1355) Hotel Inter-Continental, W1

April 23
Institute of Directors: Coping with success (01-839 1233) 116 Pall Mall, SW1

April 23-24
Westminster & City: Regulating the marketing of life assurance and unit trusts (01-582 7245) Hilton Hotel, W1

April 29-30
Euromoney Publications: Japanese financial markets (01-236 3288) Hotel Inter-Continental, W1

April 30
Public Policy Consultants, Advanced techniques of dealing with Government (01-606 6090) St Ermin's Hotel, SW1

May 1
CBI: The Insolvency Act 1985 (01-379 7400) Centre Point, WC1

May 5-7
KIA Management Consultants: Gaining a competitive advantage—developing successful strategies in service industries (01-267 0231) Seville

May 6
The Institute of Taxation: Finance Bill 1986 (01-235 8847) Hilton Hotel, W1

May 15-16
FT Conferences: Retailing (01-621 1355) London

May 22
Staniland Hall Associates: Guidelines for company plans and budgets — the UK economy to end 1987 (01-359 6054) Centre Point, WC1

May 22
The Institute of Directors: How to work out the winning streak (01-839 1233) 116 Pall Mall, SW1

May 26-30
International Advertising Association: World advertising congress (Chicago (312) 644 5897) Chicago

May 27-29
Banking Association of Ticino and City of Lugano: International banking symposium (01-251 9821) Lugano

May 28-29
FT Conferences: Telecommunications and the European business market — planning tomorrow's trade routes (01-621 1355) Hotel Inter-Continental, W1

May 28-29
FT Conferences: The 1986 Motor Industry Conference — vehicle distribution and marketing (01-621 1355) Geneva

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

GERMANY

SWITZERLAND

FRANCE

NETHERLANDS

SWEDEN

ITALY

NORWAY

AUSTRALIA

SOUTH AFRICA

HONG KONG

SINGAPORE

JAPAN

SPAIN

CANADA

TORONTO

Closing prices April 18

MONTREAL

Closing prices April 18

OVER-THE-COUNTER

Nasdaq national market. Closing prices. April 18

Continued from Page 41

WE REGRET that this listing is incomplete due to computer problems.

NEW YORK INDICES

NEW YORK ACTIVE STOCKS

North American quarterly results

BURROUGHS
Computers

First quarter	1986 $	1985 $
Revenue	1.14bn	1.17bn
Net profits	16m	46.6m
Net per share	0.35	1.05

BEATRICE COS.
Foods, consumer products

Fourth quarter	1985-86 $	1984-85 $
Revenue	2.7bn	3.2bn
Op. net profits	31m	185m
Op. net per share	0.22	1.97
Year		
Revenue	11.4bn	11.8bn
Op. net profits	225m	477m
Op net per share	2.04	5.04

CONSOLIDATED RAIL
Freight railroad

First quarter	1986 $	1985 $
Revenue	775m	803m
Op. net profits	45m	43m
Op. net per share	1.55	1.53

CHESEBROUGH-POND'S
Toiletries, chemicals*

First quarter	1986 $	1985 $
Revenue	828.5m	411.8m
Op. net profits	51.3m	19.9m
Op. net per share	1.37	0.58

* Stauffer Chemical included from March 15 1985

GILLETTE
Toiletries

First quarter	1986 $	1985 $
Revenue	655.2m	557.6m
Net profits	45m	38.8m
Net per share	1.45	1.26

HOSPITAL CORP. OF AMERICA
Hospital management

First quarter	1986 $	1985 $
Revenue	1.5bn	1.18bn
Net profits	94.1m	104.2m
Net per share	1.10	1.16

KIMBERLY-CLARK
Paper products

First quarter	1986 $	1985 $
Revenue	1.04bn	1bn
Net profits	73.2m	72.3m
Net per share	1.60	1.58

KROGER
Supermarkets

First quarter	1986 $	1985 $
Revenue	4.2bn	3.8bn
Op. net profits	32.3m	31.4m
Op. net per share	0.74	0.70

INLAND STEEL
Steelmaker

First quarter	1986 $	1985 $
Revenue	754.1m	777.9m
Net Loss	26.4m	6.34m
Net per share	—	—

LOCKHEED
Aerospace

First quarter	1986 $	1985 $
Revenue	2.2bn	2.1bn
Net profits	87m	84m
Net per share	1.32	1.27

MARRIOTT
Hotels, food services

First quarter	1986 $	1985 $
Revenue	1.03bn	874.2m
Net profits	34.2m	27.7m
Net per share	1.25	1.04

PPG INDUSTRIES
Glass, chemicals, coatings

First quarter	1986 $	1985 $
Revenue	1.14bn	1.04bn
Net profits	69.2m	80.4m
Net per share	1.17	1.15

SAFEWAY STORES
Supermarkets

First quarter	1986 $	1985 $
Revenue	4.47bn	4.55bn
Net profits	27m	25.7m
Net per share	0.44	0.43

SCOTT PAPER
Paper products

First quarter	1986 $	1985 $
Revenue	801.4m	696.2m
Net profits	39.1m	42.1m
Net per share	1.05	0.87

SHERWIN-WILLIAMS
Paints

First quarter	1986 $	1985 $
Revenue	502.7m	492.1m
Op. net profits	6.9m	5.7m
Op. net per share	0.16	0.12

SOUTHWESTERN BELL
Telecommunications

First quarter	1986 $	1985 $
Revenue	1.92bn	1.92bn
Net profits	225.5m	264.6m*
Net per share	2.26	2.66*

* Includes $29m accounting gain.

TANDY
Consumer electronics, retailing

Third quarter	1985-86 $	1984-85 $
Revenue	768.6m	684.2m
Net profits	42m	21.9m
Net per share	0.47	0.25

Nine months		
Revenue	2.57bn	2.2bn
Net profits	170.8m	135.9m
Net per share	1.92	1.51

TIME
Publishing, cable TV

First quarter	1986 $	1985 $
Revenue	874m	747m
Net profits	50m	44m
Net per share	0.78	0.70

TRANS WORLD
Hotels, food services

First quarter	1986 $	1985 $
Revenue	603.7m	464.6m
Op. net profits	12.3m	15m
Op. net per share	0.34	0.36

UNION PACIFIC
Railroads, resources

First quarter	1986 $	1985 $
Revenue	1.8bn	1.97bn
Net profits	103.1m	113.4m
Net per share	0.88	0.94

UPJOHN
Drugs

First quarter	1986 $	1985 $
Revenue	537.4m	476.3m
Net profits	63m	54.9m
Net per share	1.01	0.89

VF CORP
Jeans

First quarter	1986 $	1985 $
Revenue	316.7m	301.2m
Op. net profits	25.6m	23.6m
Op. net per share	0.82	0.76

Closing prices, April 18

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 41

هكذا من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

[illegible]										
38¼	33	Xerox pf5.45	9.4		1079	58	57¾	58		
28¾	20¾	XTRA	.64	2.5	21	1360	27	25⅞	25¾	−1⅛
17	13½	Yorkin n				198	14⅞	14¾	14⅞	+⅛
37	28	ZaleCp 1.32	3.9	13		55	33¾	33⅝	33⅝	−¼
15½	3½	Zapata	.09			275	4¼	4⅛	4⅛	
78½	41⅞	Zayre s	.64	.8	24	419	77½	76¼	77¼	+1¼
28¼	18¼	ZenithE				1122	26	25½	25⅞	
36	13	ZenLbs	.10	.3	23	892	33¼	32¾	33½	+⅜
22⅞	13¾	Zero	s			238	20⅝	20½	20⅝	
45¾	28¾	Zurnin 1.32		3.1	16	102	43⅞	42	43⅝	+1⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, April 18

[illegible]	

OVER-THE-COUNTER

Nasdaq national market, closing prices, April 18

[illegible]	

Continued on Page 39

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Another round of rate cuts

BY COLIN MILLHAM

In a week full of conflicting factors, the dollar was marked down in anticipation of a cut in the US Federal Reserve's discount rate. Other events were generally shrugged off, including a surprising rise of 3.2 per cent in US first quarter gross national product. Other events of limited influence were: the US bombing of Libya; doubts about the future of oil prices; talks between US and Japanese officials; and a fall in March US industrial production.

Reductions in European interest rates, including a cut in the Swedish discount rate, and UK bank base rates, were a catching up process, following the earlier round of rate cuts by West Germany, the US and Japan, but helped to keep the momentum rolling for a further general reduction in world interest rates.

The Fed cut its discount rate in spite of the dollar's sharp fall to a record low against the yen, and fear that lower US interest rates could send the dollar on a downward spiral.

Dealers believed they saw a strong indication of the Fed's intention to cut its discount rate, when liquidity was added to the New York banking system, through two-day system repurchase agreements, last Tuesday, when Federal funds were trading at the discount rate level of 7 per cent.

The rise of 3.2 per cent in first quarter GNP, contrasted sharply with market forecasts of around 2 per cent, when the figure was announced on Thursday. A day earlier there were strong rumours that the GNP figure had been leaked and would show growth of only 7 per cent. Not for the first time the leaked figure proved completely erroneous, leaving those who rushed to buy US Treasury bonds on the rumour somewhat the poorer, and pondering the motive at the source of the rumour.

Reaction to the US attack on Libya was confused and short lived. Initially the dollar strengthened on the news, because it is seen as a safe haven in times of international tension. But since the US was directly involved, and there was at least the possibility of an oil embargo against the US by Arab states, the dollar retreated and the net effect was small.

The threat of an oil embargo was never taken seriously. Ministers from the Organisation of Petroleum Exporting Countries, meeting in Geneva, have not shown themselves able to agree on production cutbacks to defend the price of oil, and were not likely to be able to enforce an embargo against the US.

Japanese officials continued to prevaricate about the yen, and were not happy when Mr Nigel Lawson, the Chancellor, stated the obvious—that the yen should be allowed to appreciate—trying instead to suggest that President Reagan and Mr James Baker, US Treasury Secretary, agreed the dollar should stabilise around Y180. Washington, in turn, was not pleased with this view, but for much of the week the market was wary of intervention by the Bank of Japan.

In the end the market overcame its fear of reaction in Tokyo, and may have paid the price, by preventing a US discount rate cut, through hitting the dollar too hard on Friday.

...In the end the market overcame its fear of reaction in Toklo, and pushed the dollar to a record low against the yen. The Bank of Japan responded to the Fed's interest rate move by cutting its discount rate to 3½ per cent from 4 per cent from today.

In the Middle East yesterday the dollar traded below Y174 and DM 2.21, indicating that the next pressure point may be on the German Bundesbank, in spite of German reluctance to see another discount rate cut.

£ IN NEW YORK

Close	April 18	Prev. close
£ Spot	$1.5180-1.5190	$1.5235-1.5735
1 month	0.48-0.46pm	0.48-0.46pm
3 months	1.24-1.22pm	1.22-1.20pm
12 months	3.70-3.60pm	3.53-3.58pm

Forward premiums and discounts apply to the US dollar

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	13.22	1d.18	—	—	0.00	0.44	—	—
118	11.24	12.38	—	—	0.02	0.64	—	—
120	9.27	10.63	—	—	0.05	1.25	—	—
122	7.35	9.31	—	—	0.13	1.57	—	—
124	5.50	8.06	—	—	0.28	2.32	—	—
126	d.14	6.54	—	—	0.54	3.16	—	—
128	2.57	5.45	—	—	1.36	4.07	—	—
130	1.56	4.46	—	—	2.23	5.07	—	—
132	1.07	3.53	—	—	3.49	5.15	—	—

Estimated volume total: Calls 374, Puts 320
Previous day's open interest: Calls 9,360, Puts 2,618

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
92	12.30	12.12	—	—	0.00	0.28	—	—
94	10.31	10.29	—	—	0.01	0.45	—	—
96	8.33	8.53	—	—	0.03	1.05	—	—
98	5.40	7.21	—	—	0.10	1.37	—	—
100	4.56	5.63	—	—	0.26	2.16	—	—
102	3.22	4.51	—	—	0.56	3.03	—	—
104	2.07	3.49	—	—	1.41	4.01	—	—
106	1.14	2.58	—	—	2.48	5.10	—	—
108	0.41	2.13	—	—	4.11	6.29	—	—

Estimated volume total: Calls 75, Puts 245
Previous day's open interest: Calls 1,054, Puts 1,420

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	31.59	—	—	—	0.00	—	—
1.25	—	26.53	—	26.59	—	0.00	—	0.15
1.30	21.59	21.59	—	21.69	0.00	0.03	—	0.50
1.35	16.59	16.59	16.59	16.59	0.01	0.14	0.39	1.11
1.40	11.59	11.59	11.69	11.89	0.12	0.53	1.05	2.17
1.45	6.80	7.21	7.71	9.54	0.65	1.51	2.32	3.82
1.50	3.33	d.10	4.73	6.84	2.18	3.40	4.40	5.12

Estimated volume total: Calls 689, Puts 130
Previous day's open interest: Calls 5,085, Puts 5,275

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	32.70	—	—	—	0.05	—	—
1.25	—	27.70	—	27.70	—	0.10	—	0.30
1.30	—	22.20	—	22.70	—	0.30	—	0.50
1.35	15.70	17.40	—	12.70	0.15	0.40	—	1.00
1.40	12.70	12.25	12.60	13.00	0.30	0.50	0.80	1.80
1.45	7.70	7.60	8.60	9.40	0.65	1.40	2.00	3.60
1.50	3.55	4.56	4.70	6.40	2.05	3.05	3.95	5.50

Previous day's open interest: Calls 4,191, Puts 3,309
Volume: 1,284

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	32.10	—	32.10	—	—	—	0.50
1.25	—	26.80	—	26.80	—	—	—	0.15
1.30	22.00	22.00	—	22.00	—	0.05	—	0.35
1.35	17.00	17.00	17.00	17.00	—	0.10	0.30	0.75
1.40	17.00	12.20	12.40	12.60	0.10	0.30	0.70	1.60
1.45	7.20	7.80	8.00	8.80	0.40	1.15	1.85	—
1.50	3.40	d.30	4.60	5.80	1.65	2.70	3.40	5.00

Previous day's open int: Calls 50,018 Puts 39,853
Previous day's volume Calls 6,257 Puts 3,698

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
90.00	3.63	—	—	—	0.00	—	—	—
90.50	3.13	3.17	—	—	0.00	0.00	—	—
91.00	2.63	2.67	—	—	0.00	0.00	—	—
91.50	2.13	2.17	2.05	—	0.00	0.00	0.01	—
92.00	1.63	1.68	1.57	—	0.00	0.07	0.03	—
92.50	1.13	1.19	1.12	—	0.00	0.02	0.08	—
93.00	0.65	0.74	0.72	—	0.02	0.07	0.18	—

Previous day's open interest: Calls 2,807, Puts 2,008
Volume: 28

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
June	129-11	129-21	128-30	129-08
Sept	129-19	129-29	129-09	129-17
Dec	128-17	129-17	129-17	129-15
March	129-13	129-13	129-13	129-11

Estimated volume 6,507 (12,739)
Previous day's open int 13,156 (12,313)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) —d to 4 (32nds)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
June	103-58	104-00	103-50	103-55
Sept	104-14	104-14	104-14	104-11

Estimated volume 288 (226)
Previous day's open int 1,178 (1,186)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
June	90.77	90.86	90.75	90.83
Sept	91.36	91.44	91.36	91.40
Dec	91.47	91.56	91.47	91.51
March	91.50	91.56	91.48	91.53
June	91.37	91.37	91.37	91.38

Estimated volume 2,380 (5,350)
Previous day's open int 18,311 (17,871)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
June	93.63	93.64	93.58	93.57
Sept	93.67	93.68	92.60	93.93
Dec	93.54	93.56	93.49	93.53
March	93.33	93.38	93.30	93.34
June	93.11	93.11	93.11	93.14
Sept	92.90	92.90	92.90	92.96
Dec	92.71	92.71	92.71	92.76

Estimated volume 3,144 (8,122)
Previous day's open int 19,158 (18,546)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
June	169.55	170.00	168.55	169.95
Sept	171.80	—	—	172.20
Dec	174.30	—	—	174.70

Estimated volume 233 (532)
Previous day's open int 1,868 (1,900)

US TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	104-18	104-29	104-09	104-25
Sept	103-24	103-28	103-24	104-02
Dec	103-02	103-02	103-02	103-12

Estimated volume 4,982 (16,029)
Previous day's open int 8,659 (8,526)

CHICAGO

US TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev
June	94.58	94.69	94.58	94.64
Sept	94.71	94.80	94.71	94.74
Dec	94.59	94.68	94.59	94.64
March	94.38	94.47	94.38	94.44
June	94.18	94.27	94.16	94.26
Sept	93.99	94.07	93.98	94.08
Dec	93.84	—	93.83	93.92
March	93.67	—	93.67	93.76

US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	—	104-28	103-28	104-25
Sept	—	104-00	102-31	103-29
Dec	—	103-02	102-04	103-01
March	—	102-06	101-10	102-06
June	—	101-08	90-19	101-14
Sept	—	100-18	99-31	100-25
Dec	—	—	99-1d	100-27

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev
June	93.93	93.93	93.93	93.92
Sept	93.94	—	—	93.96
Dec	93.79	—	—	93.83
March	93.56	93.77	93.77	93.82
March	—	99-17	98-25	99-24
June	—	98-20	98-13	98-11
Sept	—	—	—	—
Dec	—	98-06	97-16	98-23

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev
June	93.59	93.65	92.58	93.62
Sept	93.63	93.69	93.93	93.66
Dec	93.49	93.56	93.49	93.53
March	93.28	93.33	93.24	93.32
June	93.02	93.09	93.00	92.10
Sept	92.79	92.89	92.77	92.88
Dec	92.58	92.67	92.56	92.68
March	92.38	92.48	92.38	92.49

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5185	1.5138	1.5063	1.4974	1.4823

IMM—STERLING $s per £

	Close	High	Low	Prev
June	1.5160	1.5185	1.5030	1.5190
Sept	1.5066	1.5100	1.4940	1.5060
Dec	1.4965	1.5000	1.4850	1.4860

LIFFE—STERLING £25,000 $s per £

	Close	High	Low	Prev
June	1.5070	1.5163	1.5045	1.5170
Sept	1.4972	1.4972	1.4972	1.5075
Dec	1.4890	1.4890	1.4890	1.4955

Estimated volume 331 (224)
Previous day's open int 2,385 (2,317)

CURRENCY MOVEMENTS

April. 18	Bank of England Index	Morgan* Guaranty Change %
Sterling	76.2	−14.9
U.S. dollar	116.0	−7.0
Canadian dollar	78.6	−12.4
Austrian schilling	126.8	−7.4
Belgian franc	95.6	−7.0
Danish Krone	86.0	−1.3
Deutsche mark	135.9	−14.6
Swiss franc	157.4	−16.0
Guilder	126.0	−9.1
French franc	66.5	−13.4
Lire	46.5	−17.8
Yen	196.7	−43.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

*Morgan Guaranty rates are for April 17

OTHER CURRENCIES

April 18	£	$
Arg'tina	1.2570-1.2600	0.8300-0.8510
Aus'alia	2.1125-2.1165	1.3930-1.3945
Brazil	20.87-21.00	13.77-13.84
Finland	7.6155-7.6535	5.0410-5.0430
Greece	210.50-214.50	138.20-141.00
H'kong	11.7900-11.8050	7.7650-7.7870
Iran	130.15*	80.33*
Kuwait	0.4380-0.4390	0.28150-0.28800
Lux'burg	68.65-69.05	45.50-45.50
Malaysia	3.8350-3.8500	2.5325-2.5425
N'Z'land	2.7225-2.7300	1.7920-1.7970
Saudi Ar.	5.5365-5.5365	3.6490-3.6505
Sin'pore	3.2900-3.3050	2.1730-2.1780
S Af. Cm	3.0255-3.0295	1.9950-1.9990
S Af. Fn	4.4245-4.5560	2.9195-3.0075
U.A.E.	5.5615-5.5715	3.6715-3.6745

* Selling rate.

CURRENCY RATES

April. 18	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.764698	0.686887
US $	7	1.15653	0.967583
Canadian $	9.23	1.60815	1.34107
Austria Sch	4	18.1367	15.0895
Belgian Fr.	8½	52.6626	43.8234
Danish Kr.	7	9.52748	7.93031
D'mark	3½	3.58554	3.14997
Guilder	6½	3.91503	2.42612
French Fr	9½	8.23681	6.86553
Lira	14	1772.67	1473.39
Yen	4	203.954	169.298
Norway Kr.	8	8.20789	6.83114
Span'h Pta.	—	163.649	136.768
Swedish Kr	8	8.30909	6.91096
Swiss Fr.	4	2.15693	1.80309
Greek Drch	20½	162.597	135.068
Irish Punt	—	0.848207	0.706583

* SDR rates are for April 17.

POUND SPOT—FORWARD AGAINST POUND

April 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5095-1.5255	1.5180-1.5190	0.48-0.46c pm	3.75	1.25-1.20 pm	3.23
Canada	2.0964-2.1191	2.0990-2.1010	0.01c pm-par	0.03	0.01 pm-par	0.01
Nethlnd.	3.78-3.82¼	3.80-3.81	1¾-1½c pm	5.12	4½-4¼ pm	d.60
Belgium	68.44-69.09	68.85-69.05	14-7c pm	1.93	38-29 pm	1.92
Denmark	12.36¾-12.53¼	12.44-12.45	3½-2½ore pm	2.89	8¼-7 pm	3.45
Ireland	1.1050-1.1140	1.1070-1.1080	0.05-0.20c dis	−0.81	0.10-0.40dis	−0.90
W. Ger.	3.35½-3.40½	3.36¾-3.37¾	1¾-1½pf pm	6.03	4½-4¼ pm	5.34
Portugal	215½-223	216-226	170-405c dis	−15.61	440-1185dis	−14.34
Spain	213-215	213½-214	20-60c dis	−2.25	100-200 dis	−2.81
Italy	2297½-2324	2311½-2312½	par-6lire dis	−1.56	9-17 dis	−2.25
Norway	10.65¼-10.74½	10.72¾-10.73¾	2½-3½ore dis	−3.00	9-10¼ dis	−3.59
France	10.70¾-10.82¼	10.75¾-10.76¾	2¾-2½c pm	2.73	6¾-6½ pm	2.42
Sweden	10.78½-10.93¼	10.84½-10.85½	½-¾ore dis	−0.48	¼-1¼ dis	−0.51
Japan	263½-267¼	264-265	1.40-1.10y pm	5.67	3.50-3.20 pm	5.07
Austria	23.54-23.82	23.64-23.68	11½-10¼gro pm	5.45	28¾-25¼ pro	d.58
Switz.	2.81¼-2.84	2.82¼-2.83¼	1½-1¼c pm	5.10	4-3¾ pm	6.57

Belgian rate is for convertible francs. Financial franc 69.55-69.65. Six-month forward dollar 2.14-2.09c pm. 12-month 3.70-3.56c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

April 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5095-1.5255	1.5180-1.5190	0.48-0.46c pm	3.75	1.25-1.20 pm	3.23
Ireland†	1.3550-1.3735	1.3695-1.3705	0.60-0.45c pm	4.60	1.40-1.10 pm	3.65
Canada	1.3853-1.3896	1.3860-1.3870	0.38-0.42c dis	−3.46	0.98-1.05dis	−2.92
Nethlnd.	2.4960-2.5250	2.5055-2.5065	0.30-0.28c pm	1.39	0.88-0.85 pm	1.38
Belgium	45.15-45.55	45.30-45.50	6-9c dis	−1.98	13-17 dis	−1.32
Denmark	8.16¾-8.26¾	8.19¾-8.19¾	⅛-⅞ore dis	−0.92	1¾-1¾ dis	−0.79
W. Ger.	2.2130-2.2420	2.2205-2.2215	0.42-0.37pf pm	2.13	1.21-1.16 pm	2.13
Portugal	147½-148½	147½-148	160-310c dis	−19.09	410-870dis	−17.33
Spain	140.50-142.10	141.20-141.30	60-80c dis	−5.96	180-210dis	−5.53
Italy	1518½-1537	1522-1523	6-7½lire dis	−5.32	20-22 dis	−5.52
Norway	7.03½-7.08	7.06½-7.07	3¾-4¼ore dis	−6.82	12½-12¾ dis	−7.02
France	7.05½-7.13	7.08½-7.09	0.50-0.60c dis	−0.93	1.25-1.50dis	−0.78
Sweden	7.12-7.17	7.14¾-7.14¾	2½-2¾ore dis	−4.31	6½-6¾ dis	−3.75
Japan	173.95-176.00	174.10-174.20	0.33-0.27y pm	2.05	0.88-0.78 pm	1.89
Austria	15.55¾-15.72¾	15.57½-15.58½	2¾-2gro pm	1.78	6¾-6½ pm	1.41
Switz.	1.8535-1.8740	1.8615-1.8625	0.40-0.35c pm	2.25	1.15-1.10 pm	2.42

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.80-45.90.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.5185	1.5138	1.5063	1.4974	1.4823
D-Mark	3.3725	3.3560	3.3272	3.2908	3.2205
French Franc	10.7625	10.7380	10.6977	10.6518	10.5672
Swiss Franc	2.8275	2.8127	2.7878	2.7543	2.6890
Japanese Yen	264.50	263.25	261.15	258.35	253.50

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	43.5761	43.9234	+0.57	+0.57	±1.5388
Danish krone	7.91896	7.93031	+0.14	+0.14	±1.6406
German D-mark	2.13834	2.14997	+0.54	+0.54	±1.1202
French franc	6.86280	6.85532	−1.54	−1.54	±1.3701
Dutch guilder	2.40935	2.42612	+0.70	+0.70	±1.5081
Irish punt	0.712956	0.706523	−0.90	−0.90	±1.6669
Italian lira	1496.21	1473.39	−1.53	−1.53	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

April. 18	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11-11¼	10⅞-11⅛	10½-10⅝	8⅞-10⅞	9⅞-9⅞	9⅞-9⅞
U.S. Dollar	6⅞-8⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞
Can Dollar	10⅛-10¾	10¼-10½	9⅞-10⅛	9¼-8½	8-9¼	8⅞-9⅞
D Guilder	5⅞-5⅞	6¼-6⅜	6⅞-5⅞	6⅞-5¼	6⅞-5⅞	5⅞-5¼
Sw. Franc	1⅞-1¾	1⅜-1⅜	4⅞-4⅞	3⅞-4⅞	3⅞-4⅞	3⅞-4
Deutschmrk	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞
Fr. Franc	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞
Italian Lira	11-13	12⅞-14¼	11⅞-13⅞	13-12⅞	12⅞-12⅞	13⅞-12⅞
B.Fr.(Fin)	9⅞-10	9-9¼	8⅞-8⅞	7⅞-8⅞	7⅞-7⅞	7⅞-7⅞
B.Fr.(Con)	8⅞-10½	8-10	8⅞-8⅞	7⅞-8⅞	7⅞-7⅞	7-7⅞
Yen	5-5⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞
D. Krone	8⅞-9	8⅞-8	8-8⅞	7⅞-8⅞	7⅞-8	7⅞-7⅞
Asian $ (Sing)	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞

Long-term Eurodollars: two years 6¾-7 per cent; three years 7-7⅛ per cent; four years 7¼-7½ per cent; five years 7½-7¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr. 18	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.518	3.373	264.5	10.76	3.828	3.805	9312	5.100	69.00
$	0.650	1.	2.221	17d.2	7.088	1.862	2.506	1523	1.882	45.40
DM	0.397	0.450	1.	78.43	3.191	0.838	1.128	685.5	0.622	20.46
YEN	3.781	5.741	12.75	1000	40.69	10.66	14.39	8741	7.940	260.9
F Fr.	0.929	1.d11	3.134	245.8	10.	2.627	3.536	2148	1.951	64.11
S Fr.	0.354	0.537	1.193	93.56	3.806	1.	1.346	817.7	0.743	24.40
H Fl.	0.363	0.399	0.886	69.51	2.829	0.743	1.	607.6	0.552	18.13
Lira	0.433	0.657	1.469	114.4	4.655	1.223	1.646	1000.	0.908	29.84
C $	0.478	0.723	1.606	126.0	5.125	1.346	1.812	1101.	1.	32.86
B Fr.	1.440	2.201	4.888	383.3	15.60	4.099	5.514	3351.	3.043	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

Stiffer resistance may follow

Barclays Bank was the first clearing bank to cut its base rate by ½ per cent to 10½ per cent on Friday morning, with effect from today. Other high street banks soon followed. The Bank of England endorsed the move by immediately reducing its money market intervention rates by ½ per cent, but the interbank market showed no reaction. Money market rates were discounting a cut of 1 per cent in base rates before Barclays' move, and three-month interbank remained very steady at around 10 per cent throughout Friday.

UK clearing banks base lending rate 11 per cent since April 8

Pressure for a base rate cut built up steadily during the week, reaching a point on Friday morning where overnight and seven-day money rates were near a level where the cost of servicing short-dated bills was becoming prohibitive. At times of expected base rate changes discount houses and banks, who hold bills, are reluctant to sell until the Bank of England reduces its market dealing rates, but by Friday the costs were threatening to overtake the profits.

The market and the central bank seemed fairly content with Friday's rate cut, but there could well be less agreement about the next move.

NEW YORK RATES
(4 pm)

Prime rate	9
Broker loan rate	7¾
Fed funds	6¾
Fed funds at intervention	6¾

Treasury Bills & Bonds

One month	6.78
Two month	5.90
Three month	5.04
Six month	6.11
One year	6.21
Two year	6.45
Three year	6.57
Four year	6.67
Five year	5.78
Seven year	6.92
10 year	7.09
30 year	7.15

BANK OF ENGLAND TREASURY BILL TENDER

	April 18	April 11		April 18	April 11
Bills on offer	£100m	£100m	Top Accepted rate of discount	9.6264%	9.8570%
Total of applications	£439m	£567m	Average rate of discount	9.6031%	9.8949%
Total allocated	£100m	£100m	Average yield	9.84%	10.07%
Minimum accepted bid	£97.60m	£97.54	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	92%	100%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	April 18	change
LONDON		
Base rates	10½	−½
7 day interbank	10⅞	−⅜
3mth interbank	10	−⅜
Treasury Bill Tender	9.6031	−0.2218
Band 1 Bills	10⅜	−½
Band 2 Bills	10⅜	−½
Band 3 Bills	10¼	−½
Band 4 Bills	—	—
3 Mth. Treasury Bills	9⅝	−⅜
1 Mth. Bank Bills	10 1/16	−⅜
3 Mth. Bank Bills	9¾	−⅛
TOKYO		
One month Bills	—	−0.0625
Three month Bills	—	−0.125
BRUSSELS		
One month	8½	[illegible]
Three month	7⅞	[illegible]
AMSTERDAM		
One month	5½	[illegible]
Three month	5½	[illegible]

	April 18	change
NEW YORK		
Prime rates	9	Unch'd
Federal funds	6¾	−½
3 Mth. Treasury Bills	5.83	−0.50
6 Mth. Treasury Bills	5.81	−0.47
3 Mth. C D	6.d8	−0.18
FRANKFURT		
Lombard	5.5	Unch'd
One Mth. Interbank	d.485	Unch'd
Three month	4.485	Unch'd
PARIS		
Intervention Rate	7½	−⅛
One Mth. Interbank	7¼	−⅛
Three month	7⅛	−⅛
MILAN		
One month	14	[illegible]
Three month	[illegible]	[illegible]
DUBLIN		
One month	11½	[illegible]
Three month	10¾	[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 18) Three months US dollars		Six months US dollars	
bid 6½	offer 6⅝	bid 6½	offer 6⅝

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

April 18	Over night	One Month	Two Months	Three Months	Six Months	Lombard Inter'tion
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.5
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7½
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Tokyo	4.65625	[illegible]	—	5.09375	[illegible]	—
Milan	[illegible]	[illegible]	—	[illegible]	[illegible]	—
Brussels	[illegible]	[illegible]	—	[illegible]	—	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

LONDON MONEY RATES

April 18	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 10¼ per cent; three-months 9⅞ per cent. Bank Bills (sell): one-month 10¼-10⅛ per cent; three-months 9¾ per cent. Treasury Bills: Average tender rate of discount 9.6031 per cent. ECGD Fixed Finance Scheme IV reference date March 5 to April 1 (inclusive): 11.677 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from April 1 1986. Bank Deposit Rate for sums at seven days' notice 5½-6 per cent. Certificates of Tax Deposits (Series 6): Deposit £100,000 and over held under one month — per cent; one-three months — per cent; three-six months — per cent; six-nine months — per cent; nine-12 months — per cent. Under £100,000 — per cent from April 11. Deposits held under Series 5 6½ per cent. Deposits withdrawn for cash 6½ per cent.